



City of Fresno, California

**A Guide to the
Mayor's Proposed
Budget**

Fiscal Year 2012



A Message from the Mayor

My Fellow Citizens:

Enclosed, please find the proposed budget of \$1,030,040,200 for the City of Fresno's 2011-2012 Fiscal Year. This proposed budget represents countless hours of hard work performed by dedicated City of Fresno employees, and to each of them, our city owes a debt of gratitude.

The FY 2012 budget is significant for several reasons. First, this is the seventh consecutive spending plan requiring sizable reductions in expenses in order to balance the budget. Beginning with mid-year cuts in FY 2009 and including the reductions in the proposed FY 2012 budget, the City of Fresno has had to address a nearly \$100 million budget shortfall. It has been an incredibly onerous process to reduce the size of our city government and still deliver

Challenging but fiscally prudent decisions are made in this budget that will serve our residents well now and for years to come.

as many services as possible to the public. The Administration, City Council and City employees have worked diligently to ensure, to the best of our abilities, we are making prudent decisions on behalf of the public we serve.

Second, the presentation of this budget is unusual in that two different scenarios are outlined: (1) the Administration's recommendations, which assume a three percent across-the-board concession from all City employees and the creation of a commercial solid waste franchise;

and (2) a second budget scenario for the City Council to adopt should the concessions and/or the franchise not be approved by June 30, 2011. Under normal circumstances, one budget plan would be presented for the City Council's consideration. The Administration believes strongly in its recommended plan, as the cuts needed to balance the budget **without** its recommendations will have a serious effect on public services, as well as result in further employee layoffs.

Third, this budget is significant because, if it is adopted according to the Administration's recommendations, the City of Fresno's General Fund will have achieved a structural balance for the first time in 8 years by closing its projected five-year deficit that was as high as \$87.9 million just two years ago. This is not to say the City of Fresno will instantly be on stable financial ground with the adoption of this budget. As the City Manager points out in his Financial Overview of the City, we still have a long way to go and must focus on keeping our expenses down, paying off negative fund balances, planning ahead for risk liabilities, establishing an

emergency cash reserve, and putting money aside to address deferred capital and public works projects. However, we will at least be able to say our figurative heads are above the water at that point, and if we continue to be fiscally prudent over the coming years, we should be back on stable financial ground by the end of this decade.

There will be much discussion about and coverage of the expenses and programs which will be cut with the adoption of this budget, and rightly so. Given the magnitude of cuts the City has made over the last 30 months, every decision to balance the budget is an incredibly difficult one. However, in addition to focusing on the cuts, it is important to equally focus on the programs and services which **are** proposed in the Administration's General Fund budget, such as:


- Keeping all fire stations open with a minimum of 66 fire-fighters per shift;
- Keeping all parks, pools, and neighborhood centers open;
- Fully funding the graffiti abatement program;
- Improving staffing levels for emergency dispatch services and retaining grant-funded civilian employees in the Police Department;
- Establishing a Prisoner Arraignment Bed program targeting prolific auto theft and burglary criminals to mitigate the impact of the jail shortage; and
- Reducing debt from past operating deficits.

In addition, the following programs and services are funded with non-General Fund sources:

- Adding an additional strike team to improve pothole repair services across the City;
- Retaining all FAX routes and existing service levels;
- Expanding median island maintenance and City beautification;
- Completing Shaw Avenue traffic signal synchronization; and
- Funding for \$1.16 billion in capital improvement projects.

There is no doubt we are living in extraordinary times, which call for unrelenting perseverance, stewardship, and resolve. As we focus on making difficult and prudent decisions today, not only are we serving our fellow citizens well, but we are laying a solid foundation for many years to come.

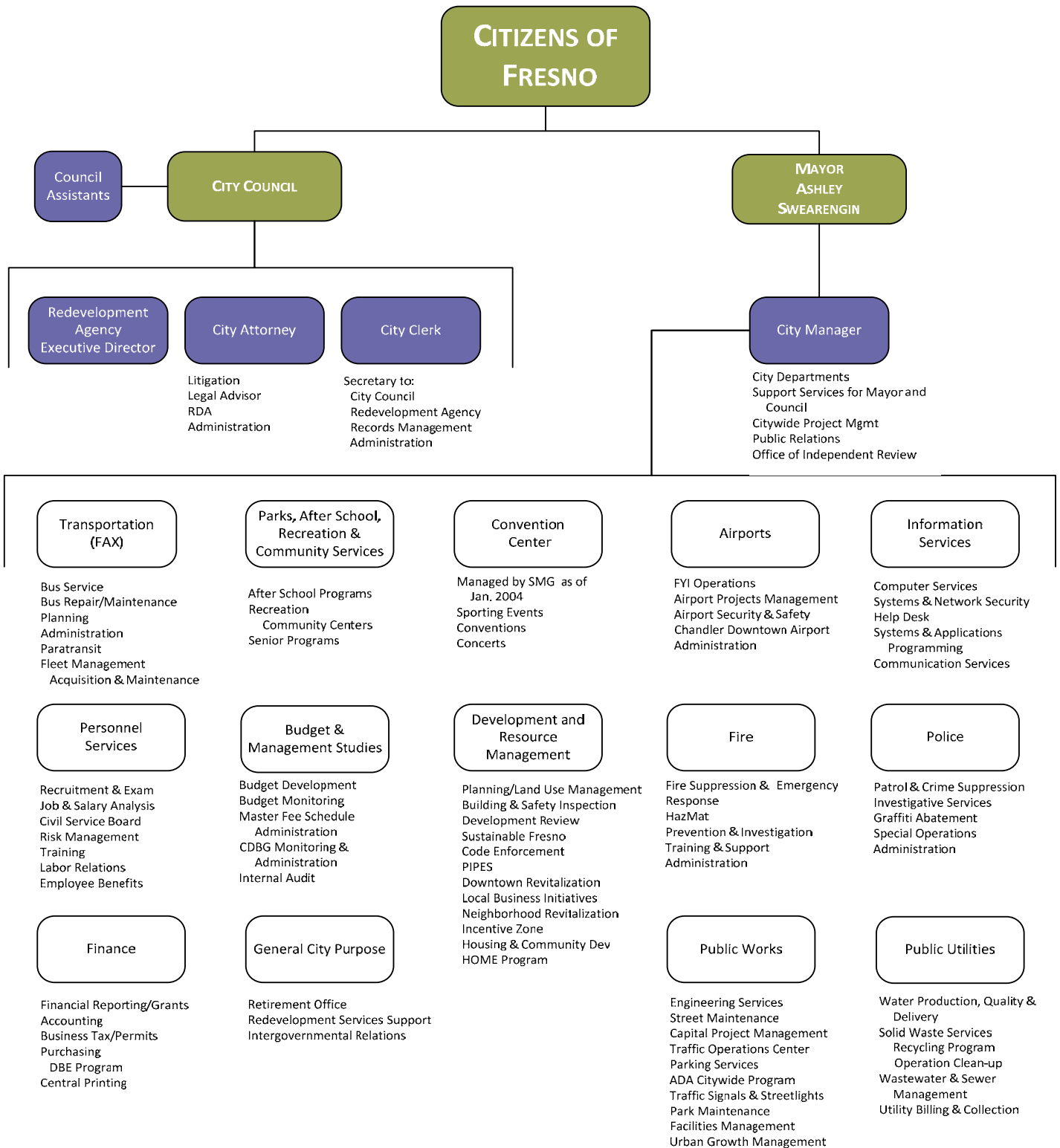
Sincerely,



Ashley Swearengin

Mayor

City Organizational Chart—FY 2012



City of Fresno 2012 Work Plan

Guiding Principles for Budget Development - The City of Fresno's budget balancing efforts over the last two and a half years have dominated headlines and been the focus of the majority of the public dialogue. The City has historically prepared and adopted one budget per year. However, from FY 2009 through the adoption of the FY 2012 budget, the City will have gone through the development of *seven* major annual, mid-year, and year-end budget plans in an effort to respond quickly to changing economic trends. Cutting expenditures early ultimately means fewer cuts to public services and fewer layoffs of the City's employees.

With each of the seven major budget plans developed over the last two and a half years, reductions in expenditures have been made according to a strategic vision for the future of the City of Fresno. The cuts were not made indiscriminately. Rather, they were developed, modified and adopted according to a strategic plan for the City that, when fully implemented, will result in fiscal stability for the City of Fresno, excellence in the delivery of essential municipal services, and a turnaround in the most economically distressed areas of the City.

Some of the guiding principles used to develop the City's expenditure plans during the Swearingin Administration include:

- Protect funding to "core services" to the greatest extent possible, with public safety being the top priority of those core services;
- Adopt a standard of excellence for the delivery of core services;
- Make early and aggressive cuts to address budget shortfalls to minimize the impact on public services and employees;
- Consider the overall financial health of the organization, not just the cash flow from one year to the next;
- Use partnerships with community based organizations and private entities whenever and wherever practicable; and
- While developing budget plans that deal with the immediate operational needs of the City, invest in appropriate strategies that address the long-term, economically challenged portions of the City.

Administration and City Council Strategic Priorities - In November 2010, Mayor Swearingin presented to the City Council an overview of her strategic direction for the City of Fresno that is driven by these guiding principles. The strategy included both a focus on the immediate and ongoing service priorities for the City, as well as long-term objectives the Administration, working with the City Council, should be addressing.

The "immediate and ongoing" priorities identified by the Administration include:

- **Public Safety** – reducing violent crime, gangs, drugs and property crime; maintaining ongoing fire prevention and suppression efforts; and improving emergency response coordination.
- **Public Space and Utilities** – developing a strategic plan for the City's five-year capital improvement projects; ensuring the operation of all parks and community centers; maintaining roads, traffic signals, sidewalks, curbs and gutters; continuing the ongoing provision of high quality utility services; and planning ahead for capital repair and maintenance of all City-owned facilities.
- **Effective, Efficient and Fiscally Prudent Operations** – addressing the current fiscal emergency by continuing to make the difficult decisions necessary to balance the budget; putting the City back on the path towards being a structurally balanced, financially stable organization; and improving the City's inefficient and outdated operations, namely related to development services and capital planning.

The "long-term and transformational" priorities identified by the Administration include:

- **Business Growth and Jobs** – the Mayor's PIPES initiative to streamline City Hall development processes; ensuring adequate industrial infrastructure; improving customer service for industrial customers; launch of the Fresno Food Expo to support the expansion of food companies in Fresno; promotion of locally owned businesses through the creation of on-line and print business directories; adult education and workforce development; and high speed rail.
- **Revitalization** – developing land use policies and a City zoning code that supports urban revitalization instead of working against it; recruiting investors to Downtown Fresno; reforming the code enforcement function within the City to support neighborhood revitalization; focusing grant dollars in Downtown neighborhoods; and implementing the 10-year plan to prevent and end homelessness.

City of Fresno 2012 Work Plan

In February, the Administration organized a priority setting workshop with the City Council to identify priorities for the year and areas of common interest between the Council majority and the Administration. The Council's priorities align almost completely with the priorities outlined in the Mayor's Strategic Direction for the City of Fresno. The priorities identified by the Council in February 2011 included:

- **Public Safety** – suppressing gang and violent crime; increasing community oriented policing; maintaining anti-graffiti program; and improving fire field staffing.
- **Economic Development** – including small business support, industrial recruitment, workforce development, high speed rail, regulatory relief, and effective development processes.
- **RDA Strategic Planning and Preservation**
- **Neighborhood Revitalization** – code enforcement; pot-holes and street paving.
- **Strategic Plan for Capital Funding** – to ensure alignment between major infrastructure projects (e.g. water infrastructure) and economic development and neighborhood revitalization goals.
- **Financial Management** – including contract compliance, labor relations, pension system, and addressing health care costs.

Work Plan for 2012 – The proposed FY 2012 budget was developed with the above priorities in mind. As the Administration and City Council delve into the line item detail of our nearly \$1 billion organization, it is important to keep our strategic priorities, and policy and program goals in mind. At the end of the fiscal year, the City wants to be able to cross some of these items off our “to do” list, celebrate successes, and re-focus for another year.

Following is a list of policy and programmatic issues the Administration and City Council will be addressing in FY 2012 pursuant to the above identified policy and program goals. This is certainly not a comprehensive list, but it helps to at least begin to outline the number of significant policy issues and program goals facing the City this next year.

- Developing the five-year utility rate plan that is consistent with our strategic capital plan for the City of Fresno;
- Developing the 2035 General Plan update, including community plans in the West Area and other areas of transition in the City, and resolving the future of the

Southeast Growth Area;

- Completing the Downtown Neighborhoods Community Plan and its environmental review process and adoption;
- Completing the form-based codes for Downtown, its environmental review process and adoption;
- Completing the Fulton Corridor Specific Plan, its environmental review process and adoption;
- Considering the recommendations from the Charter Review Commission;
- Expanding the use of volunteers and partnerships for parks maintenance and operation of community centers;
- Delivering the Food Expo 2012 and the Buy Local campaign;
- Determining the plan for Granite Park;
- Implementing the industrial infrastructure plan and industrial recruitment efforts;
- Defending the RDA from state budget raids and withstanding further state budget issues;
- Working with the Trust to reduce health care costs for City employees;
- Improving monitoring of contract compliance within the City;
- Improving accounting and finance systems, including internal service and enterprise funds;
- Further implementing the 10-Year Plan to End Homelessness;
- Further preparing for construction of high speed rail, including initiation of Downtown station plan; and
- Continuing the ongoing commitment to reductions in violent crime and gang activity.

FY 2012 has the potential to be the most productive year in advancing our City in recent history. The City has a solid team in place, both administratively, as well as legislatively. It is imperative that we remain focused on our goals and committed to seeing them through.

General Fund Overview

Balanced Budget

This summary section presents the Mayor's proposed budget for the City of Fresno's General Fund. The General Fund as presented is in balance. As such, the amount of budget expenditures is equal to or less than the total anticipated revenues, other resources available and inter-fund transfers. The General Fund is used to account for money that is not legally, or by sound financial management, required to be accounted for in another fund. Major sources of City General Fund revenue includes: sales and use tax; property tax and local taxes, including business license tax; hotel tax; and franchise fees.

The FY 2012 net budgeted expenditures for the General Fund are \$214.6 million. This represents an increase of \$6.9 million (3.3 percent) from the FY 2011 estimated expenditures and \$1.7 million (less than 1 percent) increase from the FY 2011 Adopted Budget. The difference between the FY 2011 Estimated expenditures and the Adopted Budget is the mid-year adjustments that the City implemented to offset its decline in revenue. The FY 2012 budget is balanced in a prudent manner and is responsive to the City's current economic condition. Projected revenues will be sufficient to support programmed expenditures.

FY 2012 Budget Balancing Actions and Major Assumptions

Initial Shortfall:

- Annualized savings from FY 2011 Spring Employee Contraction
- Additional FY 2012 departmental operational cuts
- Spread 27th pay period cost over future years
- Municipal Services Center land lease or sale to the General Fund
- Reduce Planning Enterprise subsidy from the General Fund
- Utilize Met capitalized interest proceeds for annual debt service
- Establish Roll-off Container franchise fee
- Require Airport to fund police positions
- Recognize Sales Tax and Business License revenue gains
- Zoo and Convention Center fund deficit repayment spread over 2 years
- Further cuts to Mayor/City Manager Office by eliminating the Call Center
- Additional Office of Independent Review budget cuts
- Eliminate scheduled COPS grant backfill not included in State Budget
- Reduce Mosqueda Center utility costs due to Reading & Beyond partnership
- Use Quimby fee revenue for scheduled Park improvements
- Postpone land use data base software investment
- Use Public Safety Impact Fees for Narrow Band grant match
- Fire Dept grant expense transfer and American Ambulance contract savings
- Increase Parks gate and reservation fees on holidays/peaks
- Other miscellaneous savings and revenues

Net Deficit After Proposed Savings:

The Mayor's proposed FY 2012 budget reflects efforts made to turn over every stone in search of solutions to reduce the \$18.5 million shortfall between this year's revenues and expenditures, while attempting to minimize further impacts to public services. The following table summarizes the actions recommended to reduce the shortfall in the proposed FY 2012 budget:

All of the above items are included in the Mayor's proposed FY 2012 budget. After two years of budget reductions, the City has reached a point where every cut is challenging. You will readily note that the list includes solutions of various sorts:

- Many relate to further cuts in expenses;
- A few represent positive trends in revenue collection;
- Others are solutions primarily in timing, where potential FY 2012 costs are spread over future years;
- And, some are realized by identifying alternate funding sources.

The Administration believes all of these action items are achievable. They require support from the Council majority, but they do not rely on concessions from bargaining units. However, even after taking these actions, a \$5.362 million shortfall remains.

The Mayor's proposed budget recommends closing the remaining shortfall with a combination of employee concessions and re-initiating the commercial solid waste franchise (valued at approximately \$2.5 million per year). Should the Council again reject the Administration's recommendation to create a commercial solid waste franchise and/or should City employees reject the Administration's request for concessions, the Council must adopt an additional \$5.3 million in cuts. The Administration has prepared Council Budget Options, which outlines actions needed to create \$5.3 million in savings to the General Fund.

| | |
|----|--------------|
| \$ | (18,500,000) |
| | 2,100,000 |
| | 385,000 |
| | 2,500,000 |
| | 500,000 |
| | 850,000 |
| | 1,500,000 |
| | 500,000 |
| | 1,000,000 |
| | 451,000 |
| | 800,000 |
| | 114,000 |
| | 25,000 |
| | 500,000 |
| | 40,000 |
| | 300,000 |
| | 130,000 |
| | 850,000 |
| | 332,000 |
| | 100,000 |
| | 161,000 |
| \$ | (5,362,000) |

General Fund Overview

Concessions

In February following the City Council's rejection of the commercial solid waste franchise, the Administration asked labor units for concessions of 5 percent in salary and 2 percent in medical costs. The 5 percent salary concession would be worth roughly \$5 million in the General Fund (and would fully close the projected deficit), while the reduction in medical costs would additionally save the General Fund approximately \$2 million. At this point, the Administration has implemented further cuts that have reduced the expenses sufficiently as to not require **both** the 5 percent concessions in salary **and** the 2 percent in medical costs. Therefore, the Administration has dropped the 70/30 concept for this year. The City's leadership team is encouraged by the Health and Welfare Trust Board's recent efforts to reduce medical plan costs. City management will continue to work with the Trust to identify ways to reduce medical plan costs, as this remains a clear opportunity to achieve efficiencies and improve the overall financial position of the City over the next five years.

On April 28, 2011, the City Manager updated the City's bargaining units on the budget and indicated the **City is now seeking 3 percent salary concessions from all units**, which would generate \$3 million in savings for the General Fund. The updated request for a 3 percent across-the-board concession is in addition to the 2 percent furlough that is currently in place through the next fiscal year. However, in the 5 Year Budget Forecast, the City is planning to eliminate the 2 percent furlough beginning in FY2013 (starting July 1, 2012) and leave just the 3 percent concession in place through the remaining MOU periods. As of the publication of this budget there has been no agreement reached with any bargaining unit on the 3 percent concession request.

Commercial Solid Waste Franchise (CSW)

Allied Waste and Mid-Valley Disposal (the successful bidders for the proposed commercial solid waste franchise) have submitted an offer in writing to the City to hire **all** the displaced City Commercial Solid Waste drivers **and** to guarantee their jobs for 12 months. The original offer was to hire all but 14 of the drivers and to guarantee their jobs for only 6 months. As much as the Administration regrets the impact transferring these jobs from the public sector to the private sector haulers would have on affected employees, at least the impacted employees would have a job to go to and would be guaranteed employment for 12 months (barring disciplinary issues). This is a far less onerous outcome than the City recently experienced with the recent layoff of 97 employees and a demotion of 76 others.

As a result of this enhanced employment offer from the private haulers, the Administration believes the franchise should be considered again by the City Council as an alternative to asking employees for the 5 percent concessions and/or implementing the cuts that would otherwise be required should the franchise not be adopted.

Summary of the Administration's Assumptions

In summary, the Mayor's proposed FY 2012 budget assumes a 3 percent across the board concession from all employees **and** CSW revenue of \$1.9 million (assumes 90 day transition period) until budget deliberations and actions are finalized. The City does not have adequate cash reserves to run a budget deficit and is obligated to balance the budget, make payroll, and pay debt service. Cooperation from the City Council and City employees is required to meet our financial obligations.

Summary of Council Budget Options

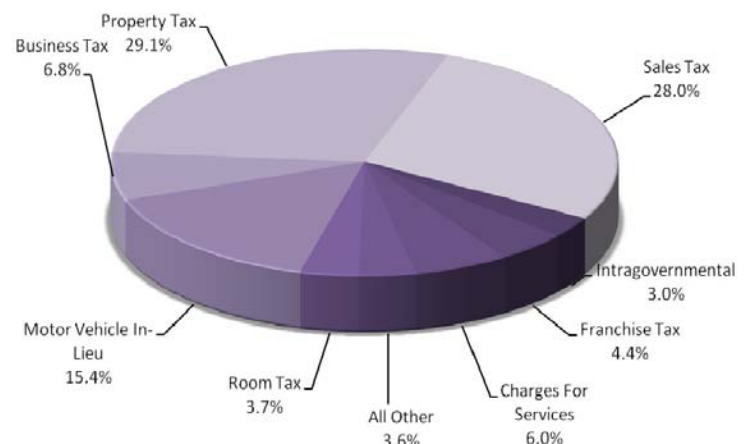
Should the City Council reject the commercial solid waste franchise proposal again and/or should the City employees decide against concessions, the Council will be required to adopt up to \$5.362 million in further cuts. The Administration has prepared options for the Council to consider in that instance.

Revenues

The tone of any government's budget is always set by the availability of resources. Revenues and available fund balances in the General Fund must be able to support budgeted expenditures. The revenues include such categories as Sales Tax, Property Tax, Motor Vehicle License Fee (MVLFF), Business License Tax, Room Tax (Transient Occupancy Tax or TOT) and Charges for Services among others. The top three single revenues generated in the General Fund are Sales Tax, Property Tax and MVLFF. They represent 72.4 percent of operating revenue.

Sales and Use Tax: The sales tax an individual pays on a purchase is collected by the State Board of Equalization and includes a state sales tax, the locally levied Bradley-Burns sales tax and several other components. The *sales tax* is imposed on the total retail price of any tangible personal property.

A *use tax* is imposed on the purchaser for transactions in which the



General Fund Overview

sales tax is not collected. Sales and use tax revenue received by Fresno is general purpose revenue and is deposited into the City's General Fund. Cities and counties may impose additional transaction and use taxes in increments of 0.25 percent with a two-thirds City Council approval and majority voter approval. A city may impose more than one transaction and use tax e.g., one might be for a general purpose; a second might be for a special purpose. The combined rate of the City and County transaction and use taxes may not exceed two percent. The County of Fresno imposes three special purpose taxes in addition to the Bradley-Burns rate of 8.25 percent. These include: 1) Public Library (FCPL) 0.125 percent; 2) Measure C (FCTA) 0.50 percent; Zoo (FCZA) 0.10 percent. Of these special purpose taxes, the City of Fresno receives a direct benefit from the Measure C tax, which is captured in its own fund and is not reported in the General Fund.

Sales tax revenue is among the top three largest revenue sources to the City's General Fund. As such, it is important to forecast this revenue as accurately as possible, because even a single percent variation means a difference of over \$660,000 to the fund. Historical trends and the health of the local economy are primary measures for projecting this revenue. Management has employed an outside firm to verify that the City receives all of the sales tax revenue that it is entitled, as well as provide an independent resource for forecasting. Sales Tax revenue is estimated at \$66.4 million in FY 2012, which includes a onetime accrual adjustment of \$3.2 million to recognize June revenue received after year end.

Between FY 2002 through FY 2007 the City of Fresno was reaping the rewards of a growing community with average annual growth in sales tax that exceeded 4.6 percent. However, the downturn in the economy has resulted in an immediate and ongoing impact on Sales Tax revenue. Sales Tax continued to decline at a precipitous rate throughout 2008-10. The monthly trends currently reflect 4 percent growth in this revenue stream. The Budget assumes that the recent recovery pattern of 4.0 percent will improve slightly through FY 2012 with a 4.4 percent revenue increase exclusive of the onetime \$3.2 revenue accrual.

Property Tax: The property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. (State law provides a variety of exemptions to the property tax, including most government-owned property; nonprofit, educational, religious, hospital, charitable and cemetery properties; the first \$7,000 of an owner-occupied home; business inventories; household furnishings and personal effects; timber; motor vehicles, freight and passenger vessels; and crops and orchards for the first four years). California Constitution Article XIII A (Prop. 13), limits the property tax to a maximum one percent of assessed value, not including voter-approved rates to fund debt. The assessed value of property is capped at 1975-76 base year plus inflation - or two percent per year. Property that declines in value may be reassessed at the lower market value. Property is reassessed to current full value upon change in ownership (with certain exemptions). Property tax revenue

is collected by counties and allocated according to state law among cities, counties, school districts and special districts.

Under Proposition 57, beginning in FY 2004-05, the local (city) sales tax rate is reduced by 0.25 percent and the state rate increased by 0.25 percent to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip," will last about 10 years until the bonds are repaid.

The share of property tax revenue allocated to a city varies depending on a variety of factors, including:

- The service responsibilities of the city (for example, if fire services are funded and provided by a fire district, then the district gets a portion that would otherwise go to the city);
- The presence of a redevelopment agency, which retains a portion of revenue growth; and
- The historic (1980) tax rates of the city in relation to other local taxing entities.

City property tax revenues are directly affected by local property values.

The largest revenue in the General Fund is property tax. Property Tax has grown an average of 8.7 percent over the five years prior to FY 2009. However, the market has changed substantially over the last few years. Property values on homes traded in the last four years have declined significantly. Included in the FY 2009 revenue is additional property tax revenue related to one time payments and the correction of an error made by the County that results in additional one-time unbudgeted revenues.

Additionally, the County Assessor made wholesale reductions in the Assessed Valuations (AV). The reassessment resulted in a decline in Property Tax revenue of five percent in FY 2010. Information provided by the Assessor's Office indicates that assessed values will not decline further in FY 2012 and modest of growth 2 percent in overall Property Taxes is expected. The total amount of ongoing Property Tax revenue is projected at \$69.07 million.

Motor Vehicle License Fee (MVLf): The third major source of revenue for the City of Fresno is Motor Vehicle In-Lieu fees. The MVLf is a tax imposed by the state on the ownership of a registered vehicle in place of taxing vehicles as personal property. Under California Constitution Article XI, section 15, VLF revenue (based upon a rate of 0.65 percent) must go to cities and counties. Since 1948, the VLF tax rate had been two percent. In 1998, the Legislature and Governor began cutting the tax, backfilling the loss to cities and counties with a like amount of State general fund money. In 2004, the State reduced the rate to 0.65 percent and replaced the State general fund backfill to cities and counties with additional property tax in lieu of MVLf (see paragraph below). The MVLf is collected by the State Department of Motor Vehicles (DMV). Most MVLf revenue

General Fund Overview

goes to fund county health and welfare programs (75 percent) and DMV administrative charges (14 percent). The allocation to cities is on the basis of population and provides less than one percent of general fund revenues to the average city budget.

Property Tax in-Lieu of Vehicle License Fee: In FY 2004-2005, cities and counties began receiving additional property tax to replace MVLF revenue that was cut when the State repealed the State general fund backfill for the reduction in the MVLF. Beginning in FY 2005-06, this property tax in-lieu of MVLF grows with the change in gross assessed valuation of taxable property in the jurisdiction from the prior year. Property tax in lieu of MVLF allocations are in addition to other property tax apportionments. Property tax/MVLF accounts for 15.3 percent of general revenue for the city.

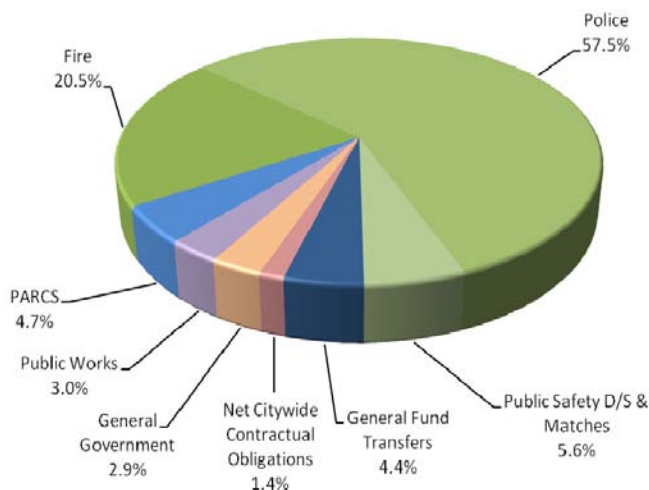
Property Tax/MVLF and MVLF are projected to be \$36.5 million in FY 2012, which is a 2 percent increase as compared to the FY 2011 estimate of actual receipts. The revenue assumption is based on the application of the Proposition 1A "Triple Flip" methodology linking MVLF to Property Tax growth and then backfilling as Property Tax. The revenue growth is consistent with the assumptions regarding growth in AV's between January 2010 and January 2011.

Expenditures

General Fund expenditures are budgeted at \$214.6 million for FY 2012. This is an increase of less than 1 percent from the 2011 Adopted Budget. This increase is necessary to address the rising expenditures while staying within the anticipated ongoing revenues less transfers for obligations. As discussed, the economy has pummeled revenues, and expenses related to contractual obligations, pension contributions, insurance and debt service have risen. Notwithstanding these challenges, the FY 2012 budget is balanced. Furthermore, the 5 Year Forecast indicates that the City is structurally balanced going forward assuming approval of the proposed

budget assumptions related to ongoing revenue and expenses. In order for the City to continue to maintain fiscal integrity after FY 2012, it must continue to strategically identify areas for efficiencies and maintain the discipline to not utilize one time revenues for ongoing expenses. Revenue forecasts inherently have some degree of uncertainty; however, today's economy is particularly volatile. With little prospect of a quick economic recovery; the City's budget problems demand long-term solutions. As such, the focus is on actions that have ongoing impacts in order to garner enough savings to maintain core services. Proactive measures to reduce expenses that began during FY 2009, and have been appreciably expanded over the last two years must continue to ensure that the City can continue to meet its increasing demands. Therefore, difficult spending reduction decisions and strategies have been employed to avoid huge operating shortfalls in future years. The actions taken to address the revenue shortfalls include: (1) continued contraction of our ongoing operations; (2) changes in the way we do business; and (3) recognition of one-time revenue and the smoothing of one-time cost over future years.

This graph shows the uses of FY 2012 General Fund revenues. The largest use of the General Fund is for public safety, Police and Fire operating and capital expenditures in addition to a separate category containing the debt service for the Public Safety Pension Obligation Bonds and other Safety related debt service. All these Public Safety uses comprise 83.6 percent of the budget. The next largest category is for the Parks, After School, Recreation and Community Services (PARCS) Department at 4.7 percent. The Public Works Department accounts for 3.0 percent. General Fund transfers comprise 4.4 percent; while these are actually revenue transfers out to other funds for debt services, matches, and other items, they are still obligations for which the fund is responsible. Within the 2.9 percent of General Government are the Offices of City Council, City Clerk, the Mayor and City Manager's Office and the Development and Resource Management Department. The remaining 1.4 percent is made up of Citywide Contractual Obligations, such as General Service Pension Debt.



General Fund Overview

General Fund (in 000)

| | FY 2009 Actual | FY 2010 Actual | FY 2011 April 25th Estimate | FY 2012 Proposed |
|-------------------------------------------|-------------------|-------------------|-----------------------------------|---------------------|
| Resources | | | | |
| One-Time Resources | | | | |
| Carryover | 12,875 | 3,834 | 166 | 0 |
| Prior-Year Adjustment | 666 | 12 | 6 | 0 |
| Total One-Time Resources | 13,541 | 3,846 | 172 | 0 |
| Operating Revenue | | | | |
| Sales Tax ⁽¹⁾ | 67,985 | 58,462 | 60,504 | 66,393 |
| MRZ Incentive Credit | (36) | (50) | (75) | 0 |
| Prop 172 Sales Tax | 2,313 | 2,073 | 2,131 | 2,216 |
| Property Tax | 80,804 | 66,398 | 67,721 | 69,075 |
| Motor Vehicle In-Lieu | 38,630 | 36,236 | 35,752 | 36,473 |
| Business Tax ⁽²⁾ | 15,529 | 14,062 | 17,762 | 16,162 |
| Franchise Tax ⁽³⁾ | 6,701 | 7,382 | 7,451 | 10,022 |
| Room Tax | 10,167 | 8,609 | 8,676 | 8,845 |
| Real Estate Transfer Tax | 968 | 811 | 800 | 832 |
| Card Room Receipts | 1,273 | 1,332 | 1,400 | 1,400 |
| Charges for Current Services | 14,981 | 13,891 | 14,241 | 14,297 |
| Enterprise In-Lieu Fees | 322 | 322 | 322 | 322 |
| Intergovernmental Revenues ⁽⁴⁾ | 5,018 | 3,158 | 3,898 | 2,330 |
| Intragovernmental Revenues | 5,238 | 5,836 | 6,525 | 7,017 |
| Bond Sale Proceeds | 314 | 265 | 0 | 0 |
| All Other ⁽⁵⁾ | 1,349 | 3,792 | 2,829 | 1,487 |
| Total Operating Revenue | 251,556 | 222,579 | 229,937 | 236,871 |
| Parking Fund Debt Service | 0 | 0 | 0 | (2,500) |
| Deficit Fund Recovery – Convention Center | 0 | 0 | 0 | (200) |
| Deficit Fund Recovery - Zoo Fund | 0 | 0 | 0 | (600) |
| Unemployment Fund Transfer | 0 | 0 | 0 | (1,245) |
| Transfer between Funds | (18,429) | (6,615) | (22,331) | (17,707) |
| TOTAL RESOURCES | 246,668 | 219,810 | 207,778 | 214,619 |
| Expenditures | | | | |
| Operating Expenditures | | | | |
| Employee Services | 165,909 | 150,401 | 135,357 | 137,589 |
| Retirement Contribution | 7,342 | 11,241 | 19,383 | 23,989 |
| Pension Obligation Bonds | 12,504 | 12,490 | 12,615 | 12,046 |
| Operations & Maintenance | 20,271 | 16,854 | 15,082 | 15,528 |
| Interdepartmental Charges | 34,329 | 27,268 | 23,426 | 23,315 |
| Bond Capital | 314 | 265 | 0 | 0 |
| Minor Capital | 2,252 | 1,669 | 1,915 | 2,152 |
| Reserve for the next 27th pay period | 0 | 0 | 0 | 0 |
| Contingencies | 91 | 0 | 0 | 0 |
| Total Operating Expenditures | 242,834 | 220,188 | 207,778 | 214,619 |
| Accrual & Encumbrance Adjustments | | (544) | | |
| TOTAL EXPENDITURES | 242,834 | 219,644 | 207,778 | 214,619 |
| Total Resources less Expenditures | 3,834 | 166 | 0 | 0 |

⁽¹⁾ Proposed assumes growth from current estimate of 4.4 percent plus onetime accrual of \$3.2 million to recognize June revenue.

⁽²⁾ Proposed assumes current year estimate less onetime adjustment for related business license system conversion in FY 2011 estimate.

⁽³⁾ Proposed assumes 2.2 percent growth from current estimate plus \$1.9m CSW franchise fee and \$0.500m roll-off franchise fee.

⁽⁴⁾ FY 2011 Estimate includes PTAF proceeds from County litigation and FY 2012 reflects decline in SB90 revenue from the State.

⁽⁵⁾ FY 2011 includes sale proceeds from Palm Lakes property.

Council Budget Options

Summary of Council Budget Options

Should the City Council reject the commercial solid waste franchise proposal again and/or should the City employees decide against concessions, the Council will be required to adopt up to \$5.362 m in further cuts. The Administration has prepared options for the Council to consider in that instance.

| Council Budget Options | FY 2012 Fiscal Impact | FY 2012 Positions Eliminated | FY 2012 Citizen Impact |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------|-----------------------------------------|
| Council Districts each cut additional \$20,000 | \$140,000 | 7 | General Public |
| City Attorney cut additional | 180,000 | 1-2 | General Public |
| Closing all remaining community centers, other than Dickey Youth Center that are not operated by community based organization | 574,000 | 8 | 675 average daily attendance |
| Shut off field lights at parks unless a reservation is made | 240,000 | -- | 2,500 average daily attendance |
| 3 month furlough of Parks Maintenance employees (Nov-Jan) | 400,000 | 18 | General Public |
| Additional two weeks of furlough for all employees, subject to MOU constraints | 600,000 | (no additional layoffs, but 2,120 employees affected) | General Public |
| Eliminate FY2012 "negative fund balance" reduction (Police Officer attrition drop additional 8 positions in FY 2013 to pay off the negative fund balance deferral) | 800,000 | -- | General Public |
| Eliminate Graffiti Abatement crew | 200,000 | 4 | Primarily non-CDBG eligible areas |
| Close Pools at Mary Ella Brown, Mosqueda, Frank H. Ball & Airways | 130,000 | 45 seasonal temps | Recreation Swim =24,790; Lessons=2,013; |
| Eliminating proposed prisoner arraignment bed program | 150,000 | 4 | General Public |
| Reducing the Senior Hot Meals program | 350,000 | 1 Supervisor & 10 year round temps | 48,000 meals |
| Eliminate more Police Department civilian positions when grant funds expire | 498,000 | 8-10 | General Public |
| Police Officer attrition to drop an additional 5 positions before hiring back in FY 2012 and additional 8 in FY 2013 | 500,000 | -- | General Public |
| Closing a fire station and reducing firefighter staffing to 63 per shift | 500,000 | -- | General Public |
| Closing a second fire station (reduce minimum staffing to 60 in FY 2013) | 100,000 | -- | General Public |
| | | | |
| TOTAL | \$5,362,000 | | |

This list of actions does not serve either the public or our employees well. The Administration urges the Council and employees to cooperate so that these cuts are not necessary.

Detail of Council Budget Options

Council Districts: Each district will identify an additional \$20,000 to eliminate for a total Department savings of \$140,000.

City Attorney's Office: Eliminate positions necessary to save \$180,000.

Close Community Centers: At this time, funds for the six centers remain within the Park Department's budget. In addition, utility costs for all the centers except Mosqueda have also been budgeted. Per the contract with Reading and Beyond, the Community Based Organization (CBO) now utilizing Mosqueda, they are responsible for these costs. At this time, all centers will offer full youth programming while Romain, Ted C. Wills and Mosqueda will continue to be senior centers.

The Community Centers costs vary by center and are comprised of personnel and operations costs. The operations costs may include utilities, fire protection, alarm, pest control, and landscaping. The closing of the remaining centers, except for Dickey and those not operated by a community based organization would impact at least 8 employees assuming the 2 employees at Dickey remain on staff. The full year employee cost savings would be approximately \$482,000. Full year operation cost savings would be approximately \$470,000. Total annual cost savings is \$952,000. The annual savings amount assumes that there would be no utilities, which means no water, so any grass/vegetation would die, no alarm which increases the risk of vandalism and damage to city property and no maintenance of the facility. Since it is unlikely that the City would take action to completely shutter the facilities and that there will be costs associated with ramping down the services only \$574,000 is assumed as an FY 2012 savings. Efforts are now under way to identify CBO's who would be willing and able to take over operations at these Flagship facilities.

Shut off Field Lights at Parks: Currently there are twenty PARCS facilities with field lights that are used to illuminate baseball and soccer fields during the evening hours. The majority of these lights operate year long regardless if there is anyone actually using these facilities. Staff has recently conducted an analysis and has determined that by shutting off part or all of these lights, unless a reservation is made, will generate utility savings estimated at \$240,000. This may reduce the available time for the public to take full advantage of these amenities as lighting may not be sufficient depending on the type of activity. Additionally, there is the risk that these facilities may not be as safe due to a lack of lighting and the potential increase in criminal activity.

Furlough Parks Maintenance Employees for 3 months: As part of the FY 2011 budget reduction, the maintenance of the City's parks and trails was transferred from the PARCS Department to

Public Works, Street Maintenance Division. Funding for this maintenance is paid for by the General Fund and is part of the current budget proposal. The option of furloughing the park maintenance function during the winter months is expected to save approximately \$400,000 assuming staff is converted to a Permanent Part Time (PPT) status. The savings is based on the following:

- Personnel proposed for the furlough consists of maintenance staff through supervisors. Eighteen of the 28 positions or 64 percent would be furloughed. These positions primarily perform the maintenance work or directly supervise those staff. The estimated savings from the furlough is \$280,600.
- Each cost within this area was evaluated to determine whether there would be a reduction if the furlough were implemented. Due to the ongoing nature of many costs such as rodent control or emergency tree trimming not all costs in this area could be reduced. Where there would be a clear reduction in cost, these items were included in the savings calculation, estimating a savings of 25 percent of the annual amount for each item which totals to \$63,300.
- Due to the ongoing nature of most ISF Charges there is little opportunity to reduce these costs thus no savings available. The only variable charge that is directly related to the maintenance is Fleet Service Charges. With the parking of the vehicles used in the maintenance function there should be a corresponding 25 percent reduction in expenditures or \$56,100.

The personnel not furloughed are needed to perform emergency landscape, irrigation, and equipment maintenance which occurs during the winter months. Management staff are still needed to oversee the Program's continuing operations.

Additional Furlough: City employees will be furloughed for one week in FY 2012 unless exempted by MOU. This is equivalent to 2 percent of salary. The citywide savings generated by the one week furlough is about \$3 million which includes General Fund savings of \$1.1 million. The labor agreements with the Fire organizations specifically identify the amount of furlough that can be garnered. The labor agreements with the Police organizations exempt them from furlough action. The remaining employees are subject to additional furlough. Each additional week of furlough will generate approximately \$2.2 million citywide which includes \$300,000 in the General Fund. The Council Budget Option will add two weeks of furlough for a General Fund savings of \$600,000. **Two additional weeks of furlough on top of the existing furlough is equivalent to a six percent across-the-board cut in pay for affected employees.**

Defer progress on Deficit Fund Recovery: The Mayor's proposed budget includes \$600,000 to eliminate the deficit in the

Zoo Enterprise Fund and \$200,000 to eliminate the deficit in the Convention Center Fund. The City of Fresno has made remarkable recovery on the outstanding deficit funds in FY 2011 and will continue to improve through FY 2012. By then end of FY 2012 the City will have two funds that remain in deficit with a recovery plan. The FYI/FATRA fund, which has a 3 year workout plan, will be fully recovered by FY 2015. The Parking Fund is expected to maintain the existing balance in FY 2012 and scheduled to start reducing its deficit in FY 2013. Deferring the progress on these funds will push the liability out into future years.

Eliminate Graffiti Abatement Crew: Graffiti Abatement consists of 12 field staff and one manager. Eight crews citywide provide daily maintenance of major streets, “hot spots”, school zones, civic centers and miscellaneous points of interests throughout the city. They also handle 100 percent of all calls-for-service. Crews are mobilized 7-days a week to resolve citizen reports within 24 hours and to proactively remove graffiti. The removal is immediate where graffiti is gang-related, racial in nature, or appears in an unexpected surge near school zones or identified “hot spots.”

The other four crews are assigned to the Residential Trash Can Graffiti Operation and specialize in proactive neighborhood-by-neighborhood graffiti removal from residential trash cans and any incidental graffiti on curbs and driveways.

The Mayor’s proposed budget funds the Graffiti Program at \$1,790,700 from the following sources:

| Graffiti Program Funding | |
|--------------------------|------------------|
| CDBG | 1,053,800 |
| Solid Waste Management | 403,500 |
| General Fund | 333,400 |
| Total | 1,790,700 |

Reducing the General Fund by \$200,000 is a sixty percent reduction in non-trash can related service areas outside of CDBG eligible neighborhoods. This reduction will impact 4 Laborer positions.

Close 4 Public Pools: The pools at Mary Ella Brown, Mosqueda, Frank H. Ball and Airways are funded in the Mayor’s proposed budget. Closing these pools will save \$130,000 annually in maintenance and staffing related costs.

Eliminate Prisoner Arraignment Bed Program: The City is experiencing an increase in burglary and auto thefts due to the reduced jail capacity. Many criminals are now being released prior to arraignment and committing other crimes, significantly driving up the crime rates. To address this issue Chief Dyer has developed a project to lease five “arraignment beds” in Madera to keep the City’s most prolific criminals

in jail until they are arraigned. This arrangement provides prosecutors with the ability to enhance the penalty of an additional two years in a State prison per California Penal Code Section 12022.1. The Mayor’s proposal supports this program. The Council Budget Option to eliminate the program will save \$150,000.

Reduce Senior Hot Meals: The Mayor’s proposed budget has earmarked \$529,500, of CDBG resources, for the Senior Hot Meals program. The Senior Hot Meals program provides a quality lunch for adults 62 and older. It is estimated that the funding provided will serve approximately 72,633 meals and provide activities at selected sites which includes 4 Community Centers and 2 Neighborhood Centers. The Council Budget Option calls to reduce the funding by \$350,000 and use the resources to backfill General Funded policing efforts. The funds would be restricted to CDBG eligible areas to pro-actively address criminal activity in neighborhoods plagued with higher crime rates. The reallocation of the funding would reduce the Senior Hot Meals program by 66 percent.

Eliminate Police Department Grant Funded Civilian Positions: The Police Department has identified 34 grant funded positions that are in jeopardy of being lost as the grants expire at the end of FY 2011. The Mayor’s proposed budget includes General Funds of \$498,000 to maintain these civilian positions in the Police Department.

Increase Police Officer Attrition: As Police sworn positions leave city service the positions have been eliminated rather than filled. The policy has been that this practice would continue until the level dropped to 760 officers. The Police Department is expected to reach this floor level in FY 2012 with fourteen more positions expected to leave at various times throughout the year. The attrition rate trend has been averaging in excess of two per month which would mean that the City will need to start hiring in FY 2012 to maintain the floor of 760 sworn positions. The Council Budget Option would drop the floor by an additional 5 positions saving approximately \$500,000. This floor will need to lower by an additional 8 positions in FY 2013 to pay off the negative balances in the Zoo Operating Fund and the Convention Center Funds that is deferred above.

Close up to 2 Fire Stations: A minimum daily staffing of 66 sworn safety staff provides one company in each fire station facility in the metro area. This deployment maximizes the number of individuals in the relief pool that are used to provide shift coverage for vacancies resulting from unscheduled holiday, vacation, leave without pay, sick or injury leaves, thus minimizing overtime/shift replacement expenditures. Because of inherent fluctuations in staffing needs from day to day and due to current MOU provisions, there will be days when there are more available personnel than vacancies. For example, should there be a minimal number of staff on leave on a particular day and vacancies are able to be filled using existing relief pool staffing, the

department will be "up-staffed" for that day. The Mayor's proposed budget includes fully funding all Fire Stations while maintaining minimum staffing of 66 sworn safety staff. The Council Budget Option to close 2 Fire Stations will save the General Fund about \$600,000 and will reduce the minimum staffing to 63 sworn safety staff. The closing of the first Fire Station (Station 18) is expected to save approximately \$500,000; the closing of the second station (Station 4) will only save about \$100,000. The closing of the first station has higher savings because it is anticipated that the pool will be sufficient to net personnel cost savings as well as operations and maintenance. However, closing of the second station will maintain an on-duty staffing of 63 and the savings will come from operations, maintenance and reduced station renovation expenditures funded from bond proceeds.

The closure of Fire Station 18 (LaVentana & Celeste), and if necessary, Fire Station 4 (Iowa & First), will produce an overall system-wide decrease in coverage and response effectiveness based on first unit on-scene turnout and travel within 5 minutes and effective firefighting force on structure fires turnout and travel within 9 minutes. The impact on actual coverage and response effectiveness may vary based upon calls that actually occur and where they occur. Those service impacts include:

- Based on the 2010 call volume, the closure of Station 18 will impact approximately 160 fire/service calls and 180 EMS calls, and Station 4, approximately 866 fire/service calls and 1,130 EMS calls. Of the two station areas, the decrease will be most significant in the Station 4 area due to higher call volumes.
- Minimum daily staffing of 63 will provide .38 or less fire-fighters per capita ratio and take the City back to 1977 staffing levels.
- Closure of Station 18 will negatively impact development in the NW area.
- Closure of Station 18 may have a negative impact on the North Central Fire Protection District contract.
- Emergency response for Stations 1, 3, 5, 8 and 9 will increase.
- Residents of Station 4's first-due area will experience greater response times.
- Other duties such as hydrant maintenance, etc., will have to be assigned to remaining in-service companies thus increasing their workloads and taking those companies from their first due areas.
- The reduction in companies and minimum daily staffing may further impact ISO ratings decreasing the City rating from a 3 to a 4 and potentially a 5.

The Accreditation process will continue to be on hold until there is more stability in deployment.. As has been the case with company reductions in prior years, the loss of any additional units system-wide

will have a significant impact in coverage and response effectiveness when there are numerous simultaneous incidents that require multiple responding units. Unfortunately, we cannot provide an exact statistical calculation of that impact.

The FY 2013 Council Budget Options - 5 Year Forecast assumes that the minimum staffing floor for the Fire Department will decline further to 60 positions to fully fund the return of furlough costs in FY 2013.

General Fund Council Budget Options 5 Year Forecast

The presentation of this budget is unusual in that two different scenarios are outlined: (1) the Administration's recommendations, which assume a 3 percent across-the-board concession from all City employees and the creation of a commercial solid waste franchise; and (2) a second budget scenario for the City Council to adopt should the concessions and/or the franchise not be approved by June 30, 2011. Under normal circumstances, one budget plan would be presented for the City Council's consideration. The Administration believes strongly in its recommended plan, as the cuts needed to balance the budget **without** its recommendations will have a serious effect on public services, as well as result in further employee layoffs. The recommended scenario is detailed in the Fund Summary section following the General Fund Overview.

The 5 Year Forecast based on the Council Budget Options will result in a balanced budget for FY 2012; however future year expenses are no longer aligned with estimated revenue. Therefore, taking these actions will require further reductions in future years.

The Council Budget Options 5 Year Forecast includes the same major assumptions as the Mayor's proposed 5 Year Forecast with the following adjustments:

1. **Revenue:** there is no revenue related to Commercial Solid Waste Franchise which results in a decline of ongoing revenue of \$11.9 million over the 5 year period.
2. **Deficit Fund Recovery:** recovery for the Zoo Fund and the Convention Center Funds deferred in FY 2012 will resume in FY 2013.
3. **Employee Services:** 1) the 3 percent revenue concession has been eliminated; 2) reductions for staffing contraction related Council Budget Options totaling \$3.655 million has been added; 3) the 2nd and 3rd week of furlough is suspended starting in FY 2013; and 4) the Police sworn floor will decrease by 8 and Firefighter minimum staffing will decline by 3 to 60 in FY 2013.
4. **Operations & Maintenance:** the Council Budget Options savings will be \$907,000 and are presumed to be ongoing through FY 2016.

General Fund Five Year Forecast

| <i>Administration's Recommendation</i> | FY 2012 Proposed | FY 2013 Forecast | FY 2014 Forecast | FY 2015 Forecast | FY 2016 Forecast |
|----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Revenues | 205,397 | 204,364 | 211,032 | 217,994 | 223,617 |
| Franchise Tax | 10,022 | 10,834 | 11,051 | 11,272 | 11,497 |
| Deficit Recovery | (800) | 0 | 0 | 0 | 0 |
| Total Resources | 214,619 | 215,198 | 222,083 | 229,266 | 235,114 |
| Expenditures | | | | | |
| Employee Services | 137,589 | 140,246 | 145,246 | 150,956 | 156,994 |
| All Other | 77,030 | 74,894 | 76,051 | 77,339 | 78,080 |
| Total Expenditures | 214,619 | 215,140 | 221,297 | 228,295 | 235,074 |
| Total Resources less Expenditures | 0 | 58 | 786 | 971 | 40 |

Note: numbers are in millions.

| <i>Council Budget Option</i> | FY 2012 Proposed | FY 2013 Forecast | FY 2014 Forecast | FY 2015 Forecast | FY 2016 Forecast |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Revenues | 205,397 | 204,826 | 210,124 | 216,464 | 221,455 |
| Franchise Tax | 8,122 | 8,284 | 8,450 | 8,619 | 8,792 |
| Deficit Recovery | 0 | (800) | 0 | 0 | 0 |
| Total Resources | 213,519 | 212,310 | 218,574 | 225,083 | 230,247 |
| Expenditures | | | | | |
| Employee Services | 136,934 | 139,168 | 144,168 | 149,834 | 155,828 |
| All Other | 76,123 | 73,993 | 75,151 | 76,439 | 77,180 |
| Total Expenditures | 213,057 | 213,161 | 219,319 | 226,273 | 233,008 |
| Total Resources less Expenditures | 462 | (851) | (745) | (1,190) | (2,761) |

Note: numbers are in millions.

Financial Overview

Financial Health and Accounting Issues

As with most cities in today's economy, there are structural financial weaknesses that require attention, prioritization and strategic direction. As the City's revenue base has eroded, there is an increasing need to consider overall financial health as a factor in Budget resource allocation decisions. For instance, the City is burdened by debt and employee compensation obligations that have remained constant, or even grown, while revenues have declined. In the City's 2010 Comprehensive Annual Report (CAFR), City managers and auditors have disclosed issues that cause concern about our financial situation.

This section of the FY 2012 Mayor's Proposed Budget focuses on such highlighted issues that relate to financial health, including:

- Lack of General Fund Operating or Emergency Reserves
- Existing Negative Fund Balances
- No Cushion for Operating Deficits
- Heavy Debt Service Loads (often tied to underperforming assets)
- Increasing "Compensated Absence" Liability (i.e., accumulated employee leave time)
- Increasing "Other Post-Employment Benefit (OPEB)" Liability
- A Potentially Underfunded Risk/Liability Fund
- Uncertainty of Future Redevelopment Agency Funding
- Overall Credit Rating Risk

This year's budget is also affected by two unusual accounting issues that are described below:

- One-time accelerated accrual of sales tax
- Adoption of a "27th Pay Period" funding plan

Financial Health Issues – Detail

1. Lack of General Fund Operating or Emergency Reserve Funds – Over the last 3 years, the City's Operating and Emergency Reserves have diminished to nearly zero. By City Council policy, the City's Emergency Reserve Fund was supposed to be frozen at 5 percent of General Fund operating revenues (approximately \$10 million). However, due to declining revenues and the requirement to repay negative fund balances (see below), the General Fund Reserves have been depleted. In normal times, City budgets typically include a limited number of other reserves or contingencies that can be tapped in an emergency. However, there are almost no transferable balances in funds that would normally be available (such as Vehicle Replacement or Risk/Liability Funds, which often hold unrestricted funds contributed to them by the General Fund).
2. Negative Fund Balances – As indicated above, the City of Fresno has gradually allowed a variety of funds to "go nega-

tive." By FY 2011, excluding revenue timing differences, the sum of negative fund balances had grown to approximately \$36 million. This has happened for a variety of reasons, including for example:

- Overspending on a capital budget project (Shaw-Marks interchange)
- Temporarily overspending grant funds (HOME, CDBG)
- Overcharging the Planning Enterprise for ineligible costs
- Inadequate revenue to cover debt service (Parking, Convention Center or Impact Fee funds).

During the November, 2010 mid-year budget review, the City Council approved a recommendation by the Mayor and City Manager to apply up to \$9.5 million of the General Fund Emergency Reserve to offset an equivalent portion of the \$36 million negatives, leaving approximately \$26 million to be repaid over time.

Exhibit 1 to this section includes a discussion of the strategies to (a) cease any further growth of negative balances and (b) schedule responsible repayment as soon as practicable. The report also projects the status of each fund by end of FY 2012 and beyond.

3. No Cushion for FY 2012 Spending – The obvious implication of #1 and 2 above is that the City must adopt a FY 2012 budget that is realistic and immediately implementable. With no reserves, the implication of overspending is significant. There is also little tolerance for "shock expenses," so the Mayor's Proposed Budget, for instance, actually allocates a contingency for fuel prices. Revenue projections are conservative because the City cannot afford to overestimate.
4. Heavy Debt Service Loads/Underperforming Assets – The debt service load in the General Fund is for FY 2012 will be \$17,349,100 million, or approximately 8 percent of all Operating Revenues. This is a significant burden, and to make it worse, several of the supported assets are underperforming. This is requiring an even greater subsidy by the General Fund. The biggest debt service draws on the General Fund include the Convention Center, the Convention Center Parking Facility, the Stadium, and the No Neighborhood Left Behind Program. Most of the debts will be carried by the General Fund far into the future.
5. Increasing Compensated Absence Liability – The CAFR measures the annual change in liability for employees' accumulated leave time (called "Compensated Absence" in accounting vernacular). This is calculated as the actual dollar value of leave time (vacation, holiday, sick leave, administrative leave, etc.) which employees have a right to use or be paid for in the future. While employees cannot use or claim all of the leave

time at one time (unless they leave City service), it is a concern when the total liability grows rapidly. From FY 2009 to FY 2010, the City's Compensated Absence liability rose from approximately \$45 million to \$60 million. Staff attributes the growth to employee bargaining agreements, to negotiated deferrals in cash payments for leave time, and to the impacts of furloughs during the year-end holiday season (when leave time would otherwise have been used). This is a big jump in liability, requiring careful evaluation of future employee agreements and personnel practices.

6. **Increasing OPEB Liability** – Several years ago, the Governmental Accounting Standards Board (GASB) started requiring governments to show the actuarial liability of non-pension "other post-employment benefits." The City of Fresno has not, historically, provided the expensive retiree medical benefits that many other California cities have provided. The City's liability is still relatively low. However, in FY 2010, the auditor pointed out a trend that must be studied. The City's OPEB liability now stands at \$84 million in the FY 2010 CAFR. Staff believes that this growth is largely attributable to program that allows sworn Public Safety personnel to convert accumulated holiday leave time into a Health Retirement Account (HRA). By doing so, the HRA funds allow retired employees to pay the premiums and remain in the City's medical plan into their later years, which increases retiree health costs substantially.
7. **Potentially Underfunded Risk/Liability Fund** – As with most large cities, the City of Fresno is largely self-insured for liability and litigation exposures with re-insurance at \$3 million per incident. On an annual basis, GASB requires the auditor to include an actuarial valuation of outstanding claims and cases. For the second straight year, the auditor has expressed a concern that the City's exposures may exceed funding that the City sets aside to pay claims, settlements and judgments. While these valuations are necessarily subjective, the City's overall financial stresses require a cautious approach to managing overall risks. Staff and the auditor plan to re-evaluate our entire risk program and valuation methodology. It is critical that the City manage its exposures.
8. **Uncertainty of Redevelopment Agency Funding** – The Governor's efforts to eliminate Redevelopment authority is a threat both to the City's ongoing economic development and revitalization programs and to the City's financial statements. While we hope that the State Legislature and/or courts will act favorably for RDA's, there is risk that past or future commitment will be challenged. Over the last several months, it has become apparent that assets on the General Fund and Airport books (debts payable from the RDA) are significantly overstated. As a result, the City's financial statements will be adjusted accordingly in the FY 2011 CAFR. It is currently an unknown if this reinstatement may affect the RDA's ability to draw all of the tax increment that it might otherwise collect.
9. **Deferred Maintenance** – Nearly all governments have had to defer infrastructure and facility maintenance due to shrinking resources. The City of Fresno is no exception. The City continues to look for alternate funding sources, new technologies, and other solutions. Every effort is made to invest in maintenance that offers the earliest payback and those that have the highest public benefit.
10. **Credit Rating Risk** – Staff is working diligently to demonstrate to the investment community that the City of Fresno recognizes its financial challenges, reports them fully and accurately, and has viable strategies to address them into the future – even during the downturn. A downgraded credit rating costs a city money due to interest costs. Thus, it remains critical that the Administration and City Council make the hard decision to adopt a realistic budget, reflecting a sustainable organization. And, it is critical that the City make steady progress in addressing the weaknesses in our financial reports, eliminating negative fund balances, building new fund reserves, reducing debt loads and accelerating deferred maintenance. The recent adoption of the Reserve Management Act is a positive step in establishing the City's ongoing commitment.

Accounting Issues Unique to FY 2012

1. **One-time Sale Tax Accrual Adjustment** – The City will benefit in FY 2012 by a one-time adjustment in how we accrue the June sales tax receipts. The June payment is actually received in July. The City of Fresno, therefore, has always recognized the payment in the following fiscal year. Staff learned last year that most large cities recognize the revenue in the fiscal year for which it is collected. By advancing the accrual by one month, the City's budget will get 13 months of sales tax in FY 2012. In the future, the City will return to 12 monthly accruals, as normal. This change has a one-time positive impact of \$3.2 million.
2. **Adoption of a "27th Pay Period" Funding Plan** – The City pays its employees on a bi-weekly basis, as is typical in local governments. This approach works well for managing Police and Fire payrolls, which are governed by complex Fair Labor Standards Act regulations.

The problem with a bi-weekly payroll is that it does not conform neatly to a 365-day year. Therefore, once every 11 or 12 years, organizations experience a 27th pay period within a single fiscal year. FY 2012 is one of those years. For the City of Fresno, this represents roughly a \$10 million additional cost to all funds (and \$5 million in the General Fund).

Rather than incurring the entire 27th pay period cost in one single year, the FY 2012 budget includes the following assumptions:

- The City will have a one-time, one-week pay period in June of 2012. This will reduce the 27th payroll costs by half (\$2.5 million in the General Fund) and pushes out the other half for 6 years.
- The budget also shows a \$400,000 per year allocation to the 27th Pay Period Reserve Fund, created by the new Reserve Management Act, to plan properly for the next time an extra pay period falls within a fiscal year.

This approach has no negative impact on employees and provides proper financial planning for future costs.

Deficit Fund Recovery

The Mayor's proposed budget includes \$600,000 from the General Fund to eliminate the deficit in the Zoo Enterprise Fund and \$200,000 to eliminate the deficit in the Convention Center Fund. The City of Fresno has made noteworthy recovery on the outstanding deficit funds in FY 2011 and will continue to improve through FY 2012. By the end of FY 2012, if the Mayor's budget proposals are adopted and each fund operates as projected, the City will have two funds that remain in deficit. The FYI/FATRA fund, which has a 3 year workout plan, will be fully recovered by FY 2015. The Parking Fund is expected to maintain the existing balance in FY 2012 and scheduled to start reducing its deficit in FY 2013. Deferring the progress on these funds will push the liability out into future years. In November, 2010, the City Council adopted a recommendation by the Mayor and City Manager to transfer the Emergency Reserve Fund of approximately \$9.5 million to offset negative balances as follows:

| Fund | Transfers |
|-------------------------------------------------------|-------------------|
| 10401 Beginning Balance Emergency Reserve Fund | 10,591,846 |
| 20501 Community Development Block Grant | 1,553,000 |
| 20504 Revolving Loan CDBG | 100 |
| 20506 Housing/Neighborhood Revit Op | 400,000 |
| 20508 UDAG Revolving Loan | 2,700 |
| 20514 Section 108 Downtown Econ - Land | 19,000 |
| 21501 Disposition of Real Property | 50,100 |
| 21503 Granite Park | 16,800 |
| 22002 Regional Com Grant (Prop 18) | 18,400 |
| 22017 Fresno/Clovis Trailway Improvement | 232,900 |
| 22023 TEA 21 - TE Grant | 480,500 |
| 22028 Misc State Grants PD | 129,800 |
| 22038 Housing Grant | 150,746 |
| 22039 UASI- Urban Areas Securities | 59,700 |
| 24035 Chaffee Zoo Improvement Fund | 100 |
| 24055 CFD #9 Comm/Ind Feature Maintenance | 3,900 |
| 30110 Toxic Site Legal Defense | 40,400 |
| 30119 General Fund Capital Improvement | 253,000 |
| 30128 MSC Solar System | 39,400 |
| 30520 CFD #14 | 500 |
| 43001 Convention Center Operations * | 554,000 |
| 43006 Convention Center Capital | 33,800 |
| 43008 Box Office Clearing | 458,300 |
| 43010 Conference Center/Selland Expansion * | 278,700 |
| 44501 Parks & Rec Enterprise Operating | 315,000 |
| 45501 Development Enterprise Operation | 3,387,300 |
| 46001 Zoo Operating * | 587,700 |
| 46003 Zoo Support | 51,400 |
| 51506 Environmental Resources | 174,600 |
| 52001 Central Services Department | 120,000 |
| Total Transfers | 9,411,846 |
| 10401 Ending Balance- Emergency Reserve Fund | 1,180,000 |

Deficit Fund Recovery from Reserves

| Fund | FY 2011 Beginning Balance | FY 2011 Estimated Progress | FY 2012 Mayor's Proposed | FY 2012 Ending Balance | Comments |
|----------------------------------------------|---------------------------------|----------------------------------|--------------------------------|------------------------------|----------------------------------------------------------------------------|
| Shaw Avenue Grade Separation | (1,624,136) | 437,000 | 1,187,136 | 0 | Assumes projected revenue is realized for ABX6 Funding |
| FATRA (FYI Environmental & Development Fund) | (7,267,130) | 1,975,500 | 1,350,000 | (3,941,630) | FYI has a 3 year work out plan which does not require General Fund backing |
| Convention Center Operations | (839,242) | 654,442 | 184,800 | 0 | Assumes \$100,000 transfer from GF in FY 2012 |
| Conference Center/Selland Expansion | (567,979) | 476,979 | 91,000 | 0 | Assumes \$100,000 transfer from GF in FY 2012 |
| Zoo Enterprise Fund | (1,174,715) | 587,700 | 587,015 | 0 | Assumes Proposed Budget without last resorts being implemented |
| HOME Fund (Housing/ Neighborhood Revit Op) | (3,829,524) | 3,049,589 | 779,935 | 0 | Assumes revenues realized in the Proposed Budget |
| Parking Fund | (13,821,600) | (1,004,600) | 22,800 | (14,803,400) | Department workout plan in progress to present to Council by October |

Total City Resources & Appropriations

CITY RESOURCES

The total amount of money received by the City of Fresno in all appropriated funds is shown on this page. The total Net Resources amounts represent all the revenue available to pay for services and capital projects. It excludes inter-fund transfers, and interdepartmental charge revenue.

City of Fresno Budget Facts:

- The City, like other cities, uses fund accounting to ensure funds are used the way they were intended.
- The General Fund is used to account for unrestricted revenues. It supports Police, Fire, Public Works and Parks.
- Special Revenue funds account for revenue that the City receives for a specific purpose.
- Debt Service funds are used to accumulate assets for the repayment of long-term debt.
- Enterprise & Internal Service funds operate as if they were a private businesses.

| | FY 2010 Actuals | FY 2011 Amended | FY 2012 Proposed | Percent Change |
|-------------------------------|--------------------|--------------------|---------------------|-------------------|
| Beginning Balance | 160,164,900 | 203,199,300 | 215,004,400 | 5.8 |
| <i>Local Taxes</i> | | | | |
| Property Taxes ⁽¹⁾ | 66,398,300 | 66,805,000 | 69,074,900 | 3.4 |
| Sales Tax ⁽²⁾ | 60,483,100 | 62,556,000 | 68,608,200 | 9.7 |
| Measure C | 17,649,300 | 41,601,000 | 28,879,900 | (30.6) |
| Room Tax | 8,609,100 | 9,091,000 | 8,845,000 | (2.7) |
| Real Estate Transfer Tax | 811,000 | 850,000 | 832,000 | (2.1) |
| Franchise Tax | 8,187,600 | 9,551,000 | 10,622,000 | 11.2 |
| Total Local Taxes | 162,138,400 | 190,454,000 | 186,862,000 | (1.9) |
| Licenses & Permits | 19,199,100 | 21,427,000 | 22,160,800 | 3.4 |
| <i>Intergovernmental</i> | | | | |
| Federal | 68,995,400 | 144,678,100 | 138,333,400 | (4.4) |
| State | 79,013,000 | 99,479,700 | 95,177,900 | (4.3) |
| Local | 13,374,600 | 23,183,400 | 12,035,300 | (48.1) |
| Total Intergovernmental | 161,383,000 | 267,341,200 | 245,546,600 | (8.2) |
| Charges for Current Services | 267,679,400 | 276,233,500 | 277,139,400 | 0.3 |
| Fines | 8,566,400 | 8,804,900 | 7,489,600 | (14.9) |
| Other Revenue | 12,593,700 | 14,904,300 | 13,182,400 | (11.6) |
| Interdepartmental | 92,451,000 | 95,397,800 | 97,046,900 | 1.7 |
| Miscellaneous | 171,611,200 | 149,279,900 | 202,429,800 | 35.6 |
| Transfers | 16,198,000 | 24,631,400 | 15,807,300 | (35.8) |
| Total City Revenue | 1,071,985,100 | 1,251,673,300 | 1,282,669,200 | 2.5 |
| Less: Net Interfund Transfers | 16,198,000 | 24,631,400 | 15,807,300 | (35.8) |
| Less: Interdepartmental Chrgs | 93,721,900 | 100,382,000 | 98,533,600 | (1.8) |
| Total Net Resources | 962,065,200 | 1,126,659,900 | 1,168,328,300 | 3.7 |

| | FY 2010 Actuals | FY 2011 Amended | FY 2012 Proposed | Percent Change |
|---------------------------------|--------------------|--------------------|---------------------|-------------------|
| General Fund | 219,643,600 | 208,956,400 | 214,619,100 | 2.7 |
| Special Revenues | 125,282,500 | 180,335,400 | 135,257,800 | (25.0) |
| Debt Service | 34,873,300 | 34,155,400 | 35,872,800 | 5.0 |
| Capital Project | 26,632,300 | 44,183,100 | 19,872,700 | (55.0) |
| Enterprise | 348,337,500 | 473,422,600 | 560,110,300 | 18.3 |
| Internal Service | 95,664,300 | 108,110,800 | 105,711,100 | (2.2) |
| Tax Anticipation Note Repayment | 57,230,200 | 56,718,100 | 57,130,000 | 0.7 |
| Total Appropriations | 907,663,700 | 1,105,881,800 | 1,128,573,800 | 2.1 |
| Less: Interdepartmental Charges | 93,721,900 | 100,382,000 | 98,533,600 | (1.8) |
| Total Net City Budget | 813,941,800 | 1,005,499,800 | 1,030,040,200 | 2.4 |

APPROPRIATIONS BY FUND TYPE

The total budget for all appropriated funds within the City of Fresno is shown on this page. The amounts shown as Total Net City budget represent the "net" budget after all interdepartmental charges are removed.

Total Net Operating by Department *Excluding* Capital and Debt Service

The Net Operating Budgets excluding debt service and capital of all departments of the City of Fresno are shown on this page. The information encompasses a three-year period: FY 2010 Actual Expenses, FY 2011 Amended Budget and FY 2012 Proposed Budget, as well as a percentage change between FY 2011 and FY 2012. Since appropriations from Internal Service Departments are also reflected as Interdepartmental Charges in Non-Internal Service Departments, those charges are removed for calculation of the Net Operating Budget.

City of Fresno Facts:

- The City operates under the Strong-Mayor form of Government.
- The Mayor Appoints and Oversees the City Manager, who manages the City on a day-to-day basis.
- A budget is in balance when the amount of budgeted expenditures is equal to the amount of budgeted revenues.
- Any Changes in the Budget must be approved by the City Council.

| Departments | FY 2010 Actuals | FY 2011 Amended | FY 2012 Proposed | Percent Change |
|----------------------------------------------------------|--------------------|--------------------|---------------------|-------------------|
| Office of the Mayor & City Manager ⁽¹⁾ | 2,509,600 | 2,415,900 | 1,970,500 | (18.4) |
| City Council ⁽²⁾ | 2,738,700 | 2,535,600 | 2,584,000 | 1.9 |
| Airports Department | 13,685,700 | 14,453,600 | 14,770,800 | 2.2 |
| City Attorney's Office | 4,725,600 | 4,331,700 | 4,258,800 | (1.7) |
| City Clerk's Office ⁽³⁾ | 671,900 | 546,300 | 645,400 | 18.1 |
| Convention Center ⁽⁴⁾ | 2,448,900 | 6,860,700 | 6,179,000 | (9.9) |
| Development & Resource Management ⁽⁵⁾ | 24,065,000 | 42,835,300 | 42,060,600 | (1.8) |
| Finance Department ⁽⁶⁾⁽⁹⁾ | 24,539,900 | 22,147,300 | 21,503,800 | (2.9) |
| Budget and Management Studies | 1,596,200 | 1,625,000 | 1,572,500 | (3.2) |
| Fire Department | 49,477,700 | 54,894,800 | 54,950,500 | 0.1 |
| General City Purpose Department | 2,380,000 | 2,265,200 | 2,126,000 | (6.1) |
| Information Services Department ⁽⁷⁾ | 12,946,200 | 14,003,100 | 11,757,200 | (16.0) |
| Parks, After School, Rec & Comm Svcs Dept ⁽⁸⁾ | 20,497,400 | 18,059,800 | 12,116,900 | (32.9) |
| Personnel Department | 26,208,800 | 31,286,900 | 31,753,900 | 1.5 |
| Police Department | 135,564,500 | 145,746,700 | 144,020,500 | (1.2) |
| Public Utilities Department ⁽⁹⁾ | 118,339,900 | 137,439,200 | 145,595,600 | 5.9 |
| Public Works Department ⁽⁶⁾⁽⁸⁾ | 48,887,800 | 49,067,400 | 52,990,900 | 8.0 |
| Transportation/FAX Department ⁽⁶⁾ | 65,964,600 | 71,389,900 | 75,537,100 | 5.8 |
| Total City Program Costs | 557,248,400 | 621,904,400 | 626,394,000 | 0.7 |
| Less: Interdepartmental Charges | 93,721,900 | 100,382,000 | 98,533,600 | (1.8) |
| Net Operating Budget | 463,526,500 | 521,522,400 | 527,860,400 | 1.2 |

⁽¹⁾ The FY 2012 decrease in appropriations is attributable to elimination of three positions in the Office of the Mayor and City Manager, reductions to the OIR operations and the outsourcing of Call Center operations.

⁽²⁾ FY 2011 Amended includes capital infrastructure used for operations.

⁽³⁾ In FY 2011, City Hall residents experienced significant onetime savings related to the refinancing of debt service related to City Hall. For FY 2012, the City will make a full year's debt service payment, which significantly increases this cost for City Hall residents, including the City Clerk's Office.

⁽⁴⁾ The FY 2012 decrease in appropriations is due to the City no longer funding the Convention & Visitor's Bureau.

⁽⁵⁾ FY 2012 Proposed Budget includes the merging of the Downtown & Community Revitalization Department, including the Housing Division, into the Development & Resource Management Department.

⁽⁶⁾ In FY 2011, the General Services Department (GSD) was dissolved and its operating divisions were merged into other Departments: The Purchasing and Central Services Division were moved to Finance; the Facilities Division was transferred to Public Works; and the Fleet Management and Fleet Acquisition Divisions were merged into the Transportation/FAX Department.

⁽⁷⁾ The FY 2012 decrease in appropriations is due to reductions in staffing; completion in a major system upgrades; and reduced requests for new software and equipment.

⁽⁸⁾ The FY 2012 Proposed Budget includes the transferring of the Parks Maintenance function to the Public Works Department.

⁽⁹⁾ The FY 2012 Proposed Budget includes the transferring of the Utility, Billing and Collections Division to the Public Utilities Department.



Total Net Operating by Department *Including* Capital and Debt Service

| Departments | FY 2010 Actuals | FY 2011 Amended | FY 2012 Proposed | Percent Change | The combined Net Operating and Capital Budgets for all de- partments of the City of Fresno are shown on this page. The information encompasses a three-year period: FY 2010 Ac- tual Expenses, FY 2011 Amended Budget, and the FY 2012 Proposed Budget, as well as the percentage change be- tween FY 2011 and FY 2012. Since appropriations from Inter- nal Service Departments are also reflected as Interdepartmental Charges in all City Departments, those charges are removed for calculation of the Net City Budget. |
|----------------------------------------------------------|--------------------|--------------------|---------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | |
| Office of the Mayor and City Manager ⁽¹⁾ | 11,491,000 | 8,897,500 | 7,072,400 | (20.5) | |
| City Council | 2,931,900 | 3,047,800 | 2,584,000 | (15.2) | |
| Airports Department | 31,995,300 | 39,473,100 | 64,907,700 | 64.4 | |
| City Attorney's Office | 4,725,600 | 4,331,700 | 4,258,800 | (1.7) | |
| City Clerk's Office ⁽²⁾ | 671,900 | 546,300 | 645,400 | 18.1 | |
| Convention Center | 16,112,200 | 19,133,000 | 18,000,200 | (5.9) | |
| Downtown & Community Revitalization ⁽³⁾ | 3,235,100 | 23,535,200 | 0 | (100.0) | |
| Finance Department ⁽⁴⁾⁽⁷⁾ | 141,134,000 | 111,778,700 | 107,700,900 | (3.6) | |
| Budget & Management Studies | 1,596,200 | 1,625,000 | 1,572,500 | (3.2) | |
| Fire Department | 52,396,700 | 61,477,000 | 56,738,000 | (7.7) | |
| General City Purpose Department | 3,470,200 | 2,265,200 | 2,126,000 | (6.1) | |
| General Service Department ⁽⁴⁾⁽⁵⁾ | 40,379,000 | 44,561,100 | 3,263,700 | (92.7) | |
| Information Services Department | 12,946,200 | 14,003,100 | 11,757,200 | (16.0) | |
| Parks, After School, Rec & Comm Svcs Dept ⁽⁶⁾ | 32,757,900 | 28,760,000 | 24,901,200 | (13.4) | |
| Personnel Department | 26,208,800 | 31,286,900 | 31,753,900 | 1.5 | |
| Development and Resource Management ⁽³⁾ | 22,756,700 | 21,974,100 | 44,210,600 | 101.2 | |
| Police Department | 139,328,700 | 162,553,900 | 146,790,400 | (9.7) | |
| Public Utilities Department ⁽⁷⁾ | 233,797,200 | 325,256,400 | 367,610,600 | 13.0 | |
| Public Works Department ⁽⁴⁾⁽⁶⁾ | 78,195,800 | 129,031,500 | 107,206,100 | (16.9) | |
| Transportation/FAX Department ⁽⁴⁾ | 51,533,300 | 72,344,300 | 125,474,200 | 73.4 | |
| Total City Program Costs | 907,663,700 | 1,105,881,800 | 1,128,573,800 | 2.1 | |
| Less: Interdepartmental Charges | 93,721,900 | 100,382,000 | 98,533,600 | (1.8) | |
| Net Operating Budget | 813,941,800 | 1,005,499,800 | 1,030,040,200 | 2.4 | |

⁽¹⁾ The FY 2012 Proposed Budget includes \$5,101,900 in capital projects, specifically for Neighborhood Stabilization and repayment of Section 108 loan programs as compared to \$5,951,400 in capital projects in FY 2011 Amended.

⁽²⁾ In FY 2011, City Hall residents experienced significant onetime savings related to the refinancing of debt service related to City Hall. For FY 2012, the City will make a full year's debt service payment, which significantly increases this cost for City Hall residents, including the City Clerk's Office.

⁽³⁾ FY 2012 Proposed Budget includes the merging of the Downtown & Community Revitalization Department, including the Housing Division, into the Development & Resource Management Department. The FY 2010 Actuals and the FY 2011 Amended Budget results are reported within respective departments.

⁽⁴⁾ In FY 2011, the General Services Department (GSD) was dissolved and its operating divisions were merged into other Departments: The Purchasing and Central Services Division were moved to Finance; the Facilities Division was transferred to Public Works; and the Fleet Management and Fleet Acquisition Divisions were merged into the Transportation/FAX Department. The FY 2010 Actuals and the FY 2011 Amended Budget for these divisions are reflected in GSD; however, the FY 2012 Proposed Budget reflects the noted transition.

⁽⁵⁾ The FY 2012 Proposed Budget for the GSD reflects City Hall Debt service only.

⁽⁶⁾ The FY 2012 Proposed Budget includes the transferring of the Parks Maintenance function to the Public Works Dept.

⁽⁷⁾ The FY 2012 Proposed Budget includes the transferring of the Utility, Billing & Collections Division to the Public Utilities Dept.



Authorized Positions

The Position Authorization Resolution (PAR) details the City Services provided by permanent employees in two major categories: Permanent and Permanent Part-Time (PPT). The FY 2011 Amended figures below represent total permanent positions as of May 2011. The FY 2012 Position Changes column show the adjustments proposed in the budget. The FY 2012 Proposed column represents the net of the FY 2011 Amended and the FY 2012 Proposed changes. The Departments are listed based on their primary funding source.

| Department | FY 2010 Adopted | FY 2011 Adopted | FY 2011 Amended | FY 2012 Position Changes | FY 2012 Proposed |
|--------------------------------------------------|--------------------|--------------------|--------------------|--------------------------------|---------------------|
| <i>General Fund Departments</i> | | | | | |
| Mayor and City Manager's Office | 27.00 | 21.80 | 18.80 | (5.80) | 13.00 |
| City Council | 25.00 | 23.00 | 23.00 | 0.00 | 23.00 |
| City Clerk's Office | 7.00 | 5.00 | 5.00 | 0.00 | 5.00 |
| PARCS ⁽¹⁾ | 122.25 | 59.50 | 54.00 | (2.00) | 52.00 |
| Police Department | 1,280.40 | 1,026.66 | 978.00 | (11.25) | 966.75 |
| Fire Department ⁽²⁾ | 440.60 | 392.95 | 374.70 | (17.05) | 357.65 |
| Sub-Total General Fund | 1,902.25 | 1,528.91 | 1,453.50 | (36.10) | 1,417.40 |
| <i>Special Revenue Departments</i> | | | | | |
| Public Works Department ⁽¹⁾ | 401.40 | 302.40 | 275.60 | 13.00 | 288.60 |
| Sub-Total Special Revenue | 401.40 | 302.40 | 275.60 | 13.00 | 288.60 |
| <i>Enterprise Departments</i> | | | | | |
| Airports Department | 83.00 | 83.00 | 79.00 | (2.00) | 77.00 |
| Transportation/FAX Department ⁽¹⁾ | 494.80 | 416.00 | 409.00 | 0.00 | 409.00 |
| Development & Resource Management ⁽¹⁾ | 204.39 | 176.03 | 155.03 | (12.69) | 142.34 |
| Department of Public Utilities ⁽¹⁾ | 744.00 | 749.00 | 710.00 | (12.92) | 697.08 |
| Sub-Total Enterprises | 1,526.19 | 1,424.03 | 1,353.03 | (27.61) | 1,325.42 |
| <i>Internal Service Departments</i> | | | | | |
| City Attorney's Office | 44.00 | 39.00 | 33.00 | (2.00) | 31.00 |
| Finance Department ⁽¹⁾ | 79.65 | 58.00 | 48.00 | (3.32) | 44.68 |
| Budget & Management Studies | 15.00 | 13.00 | 11.00 | 0.00 | 11.00 |
| Retirement/Redevelopment Agency Support | 12.00 | 12.00 | 12.00 | (1.00) | 11.00 |
| General Services Department ⁽¹⁾ | 4.00 | 3.00 | 0.00 | 0.00 | 0.00 |
| Information Services Department | 76.00 | 56.00 | 49.00 | 0.00 | 49.00 |
| Personnel Services Department | 41.00 | 35.80 | 31.00 | 0.00 | 31.00 |
| Sub-Total Internal Service | 271.65 | 216.80 | 184.00 | (6.32) | 177.68 |
| Totals | 4,101.49 | 3,472.14 | 3,266.13 | (57.03) | 3,209.10 |

⁽¹⁾ In mid-FY 2011 an organizational realignment took place which affected a number of departments. The prior year data has been revised for the effects of the realignment. See the Department narratives for details.

⁽²⁾ The FY 2010 and FY 2011 Adopted totals reflect 0.60 FTE of a full time position in Fire.

Sworn Safety Positions

| Department | FY 2010 Adopted | FY 2011 Adopted | FY 2011 Amended | FY 2012 Position Changes | FY 2012 Proposed |
|---------------------|--------------------|--------------------|--------------------|--------------------------------|---------------------|
| Police Department | 849.00 | 816.58 | 783.00 | (16.25) | 766.75 |
| Fire Department | 383.00 | 340.35 | 334.70 | (17.05) | 317.65 |
| Airports Department | 5.00 | 5.00 | 5.00 | 0.00 | 5.00 |
| Totals | 1,237.00 | 1,161.93 | 1,122.70 | (33.30) | 1,089.40 |

The table to the left details the number of sworn Public Safety positions.

Community Development Block Grant

The Community Development Block Grant (CDBG), one of the longest-running programs of the U.S. Department of Housing and Urban Development (HUD), funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development. CDBG was enacted through the Housing and Community Development Act of 1974 and took effect in January 1975.

CDBG funds are allocated to more than 1,100 local and state governments on a formula basis; the total program is \$3.5 billion in FY 2012. Larger cities and urban counties, called "entitlement communities," are required to prepare and submit a "Consolidated Plan" that establishes goals for the use of CDBG funds. Grantees are also required to hold public meetings to solicit input from the community; ensuring that proposed projects are aligned with the community's most urgent needs.

Overview

The CDBG fund is not unaffected by the citywide FY 2012 fiscal challenges; however, the desire to maintain services to the public drove project funding. For FY 2012, over 58 percent of the total resources will be dedicated to housing development and rehabilitation, maintaining neighborhoods by addressing substandard conditions and historic preservation. Infrastructure improvements make up five percent of resources, 14 percent for public services and seven percent will be used for senior support programs. The remaining funds will be used for Section 108 debt service and administration.

CDBG revenues used to build the Program's budget are comprised of the entitlement from HUD, program income, and carryover funds. The City can expect to receive an entitlement of \$6,890,800 in FY 2012, a decrease of 16.5 percent compared to FY 2011 funding.

Program income, which is the gross income received by the City and its subrecipients directly generated from the use of CDBG funds, is estimated at \$299,600. The carryover is the total of unused funds from prior fiscal years. This can occur when a capital project is completed under budget; when a program does not use

all of its allocation; or when a project is not completed within that fiscal year.

| | FY 2011 Adopted | FY 2012 Proposed |
|------------------------------------------------------|--------------------|---------------------|
| Revenues | | |
| Program Entitlement | 8,256,500 | 6,890,800 |
| Program Income | 376,300 | 299,600 |
| Estimated Carryover | 0 | 454,100 |
| Total | 8,632,800 | 7,644,500 |
| Appropriations | | |
| <u>Acquisition & Rehabilitation</u> | | |
| Housing & Community Development (Program Delivery) | 534,300 | 541,900 |
| Emergency Repair Grant Program | 50,000 | 25,000 |
| Anti-Graffiti Program | 994,400 | 1,053,800 |
| Community Revitalization | 3,101,000 | 2,829,600 |
| Low Income Assistance Grant Prog for Code Compliance | 50,000 | 40,000 |
| <u>Public Facilities & Improvements</u> | | |
| Community Streets Improvement Program | 1,101,200 | 0 |
| Pinedale Infrastructure 2012 | 0 | 351,300 |
| <u>Public Services</u> | | |
| Police POP Teams | 104,400 | 570,200 |
| Senior Hot Meals | 453,700 | 508,300 |
| <u>Planning & Administration</u> | | |
| Grant Monitoring and Administration | 233,700 | 236,600 |
| Senior Activities | 21,200 | 21,200 |
| Historic Preservation | 117,900 | 115,500 |
| Housing & Community Development (Housing Admin) | 233,000 | 150,000 |
| Specific Plan | 900,000 | 736,100 |
| Fair Housing Council - (required by HUD) | 40,000 | 40,000 |
| <u>Economic Development</u> | | |
| Section 108 Loan Repayment | 548,000 | 425,000 |
| Total | 8,482,800 | 7,644,500 |

In addition to the activity limitations placed upon CDBG, HUD has also limited the use of CDBG for certain types of projects/programs. By regulation, all Public Service activities are capped at fifteen percent of the entitlement plus program income. Planning and Administration activities are capped at twenty percent of the entitlement plus program income. For FY 2012 the "allocation caps" for Public Service and Administration are \$1,078,560 and \$1,438,080, respectively. Expenditures are classified according to the summary chart shown. Each of these will be detailed and explained in the paragraphs that follow.



Community Development Block Grant

Acquisition and Rehabilitation

The Housing and Community Development Division utilizes a portion of the CDBG Program funds each year for administration and rehabilitation of affordable housing for low-income households. The Acquisition and Rehabilitation budget category consist of rehabilitation program and program delivery that serves to absorb costs associated with the creation of affordable housing projects in the HOME program. The Emergency Repair Grant program addresses health and safety issues for low income homeowners who have received a health and safety citation from the City's Community Revitalization Division. The program is offered citywide and helps

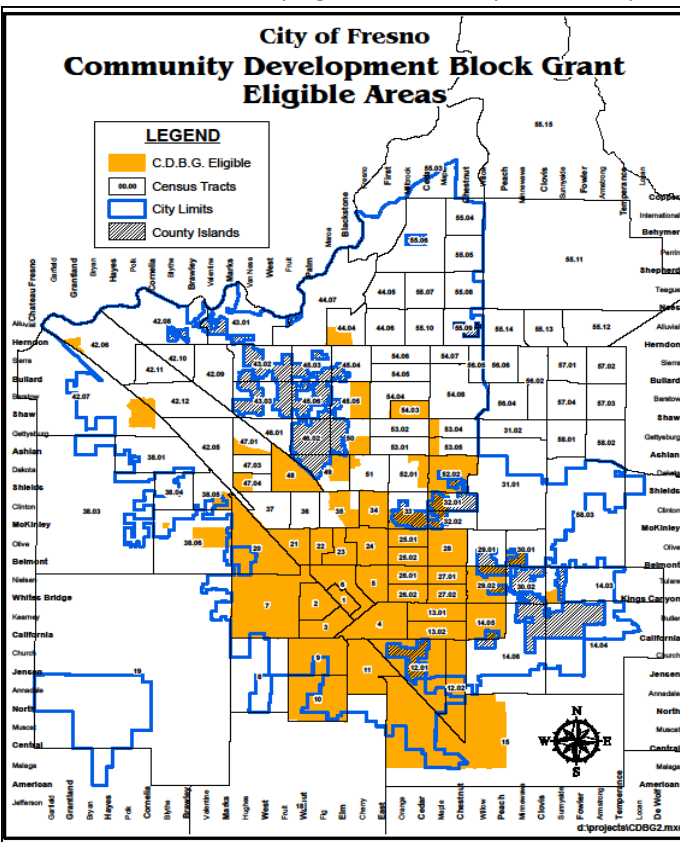
groups and grassroots level with the people in the neighborhoods served, all in an effort to help them build better communities. Community Revitalization focuses on nurturing strong neighborhoods, and as such we address neighborhood challenges, such as efforts to obtain compliance with property maintenance, public nuisance and civic engagement standards. Working with a team or independently, we seek to overcome barriers to neighborly interaction and we attempt to strengthen the bonds that make neighborhoods livable.

The Community Revitalization Division will maintain its activities in the CDBG areas in accordance with the following specific guidelines: insure that existing housing is safe, healthy and well structured; elimination of visual blight caused by trash, inoperable vehicles, and other public nuisances; compliance with land use, development standards, dangerous building codes, real property ordinance, and public nuisance codes, compliance with Lead Based Paint requirements focusing on housing with children ages six and under, and identification and prosecution of persons responsible for illegal dumping.

The Anti-Graffiti Program is responsible for the removal of graffiti from the exterior of structures and commercial buildings, and other areas where blight and vandalism occur. Graffiti is removed regularly to protect neighborhood livability and create a climate conducive to business activities.

Public Facilities & Improvements

The Pinedale Community Improvement Project will bring the neighborhoods of Pinedale up to the City's current subdivision standards. The Pinedale Community Township is bounded by West Herndon Avenue to the South, West Alluvial Avenue to the North, North Blackstone Avenue to the East, and North Ingram Avenue to the North. Since 2007, this project has progressed toward the installation of 170,552 square feet of concrete sidewalks; 7920 square feet valley gutter; 125 street lights; 11,000 square feet of wheel chair ramps; 13 alley approaches; and the removal of 87 trees to facilitate comprehensive sidewalk and gap filling construction. The construction of this fundamental street and sidewalk infrastructure will improve the quality of life and the image of the Pinedale Neighborhood and facilitate community revitalization.



the homeowner repair items that need immediate attention and who cannot afford to correct the situation.

The Community Revitalization Division mission is to foster healthy, neighborly communities through work with a team of co-workers from various City departments, plus partners from other government agencies, non-profits, businesses, faith communities, civic

Community Development Block Grant

This project application seeks to construct the remaining sidewalk gaps which remain along Maroa Avenue south of Spruce Avenue to the Herndon Frontage Road and along College Avenue also south of Spruce Avenue to the Herndon Frontage Road. This project will help complete the sidewalk, curb, gutter and wheel chair ramps for the community as identified by the Pinedale Community Plan adopted by the Fresno City Council in 2007. The construction of this fundamental health and safety infrastructure will greatly improve the liveability of the Pinedale Neighborhood.

Public Services

Senior Hot Meals provides a quality lunch program for adults 62 and older. In FY 2010, the program provided an estimated 95,000 meals. This program is currently at four Community Centers, two Neighborhood Centers, five Neighborhood Parks and five senior residential centers. Also funded are senior activities which take place both before and after meals.

District Crime Suppression Team (DCST) members work within CDBG areas to pro-actively address criminal activity in neighborhoods plagued with higher crime rates. DCST activities include parole and probation searches, serving narcotic search warrants, responding quickly to violent in-progress crimes, verifying the location of high risk sex registrants, and conducting prostitution/vice operations. Additionally, DCST participates in neighborhood crime prevention activities. Emphasis is placed on developing liaisons with the community to eliminate crime and make neighborhoods safer.

Economic Development

The annual payment of Debt Service is required to repay Section 108 loans for the Regional Medical Center, Senior Center, and Street and Park Improvements within CDBG areas.

Planning & Administration

Downtown Fresno, and the neighborhoods that surround it, have been in decline for more than 50 years. Instead of being an engine of economic development, the Downtown has become blighted. The neighborhoods that surround Downtown have become areas of

concentrated poverty and sub-standard housing. Efforts at revitalization have been hampered by a hodgepodge of land use and zoning requirements better suited to suburban greenfield development, than revitalization of an urban center.

As part of the adoption of the FY 2010 and FY 2011 Budgets, Council approved a \$900,000 (in each year) allocation of CDBG funds for Plans covering the Fulton Corridor area and the established neighborhoods surrounding Downtown Fresno. These Plans will provide a solid foundation that is vision-based, environmentally responsive, and economically grounded for new City-wide form-based codes, design guidelines, historic preservation priorities, adaptive reuse, and public-private marketing partnerships that will transform central Fresno into the San Joaquin Valley's new entertainment, housing, retail, and transportation hub. In January of 2010, Council unanimously approved a three year agreement with a consultant to develop the Fulton Corridor Specific Plan and the Downtown Neighborhoods Community Plan. This request will provide the needed funding to partially cover the third of the three years of this essential project. The remaining funding will be provided by Proposition 84 Sustainable Community Planning Grants via the Strategic Growth Council.

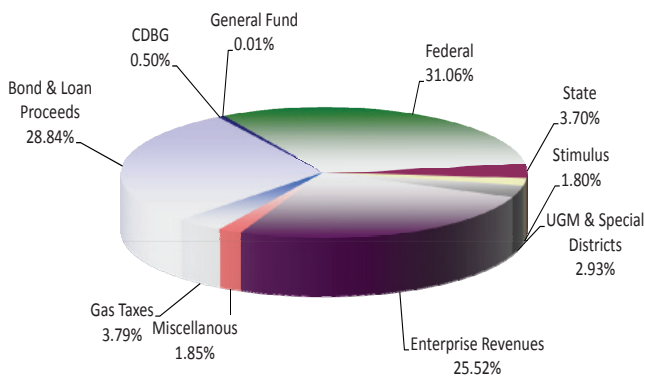
The Fair Housing Council of Central California (FHCCC) will provide a comprehensive program of education and enforcement of state and federal fair housing laws. Education (housing civil rights) will encompass outreach to Fresno city residents, landlords, property managers, real estate industry, housing-related insurance brokers/agents, lenders, and banking representatives. Resolution of housing discrimination claims of Fresno city residents will be accomplished by investigation (and testing) of credible claims by FHCCC and by assisting claimants with case referrals to HUD, the California Department of Fair Employment and Housing, or mediation and/or injunctive relief through state or federal court. The project will serve 1,500 city residents (it is estimated that more than 60 percent of these residents will be low-income and minority residents) with housing discrimination or unfair lending issues.

Capital Summary

INTRODUCTION

The development of the FY 2012-2016 Capital Improvement Program (CIP) is an intensive, ongoing process, involving an unprecedented and comprehensive review of the goals and direction of the city's future infrastructure needs. The overriding mission of this review is to determine specific priorities, starting with the vital work being done to revitalize and reinvigorate the Downtown area; then to sequence those priorities to enable the city to effectively concentrate its capital investment.

Capital Revenues



Any capital plan must take into consideration the financial impact to its citizens, balancing the ever changing needs of the city with the capacity of the population to finance those improvements and the maintenance that comes with them. This is especially true of capital funded through utility rates and critical decisions will be made concerning the pace and timing of the utility capital program using the dollars available.

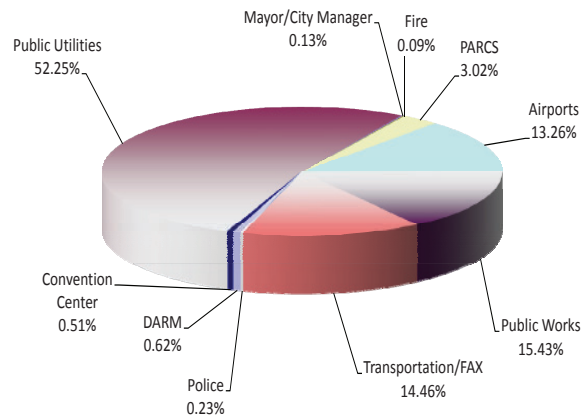
OVERVIEW

Capital Funding Sources: Bond proceeds will fund \$15.0 million for the Water Meter retrofit, \$18.0 million for the CVP contract payment, \$10.8 million to continue work on the SE Fresno SWTP and

water recharge, \$19.2 million for the Friant/Kern pipeline and almost \$10.0 million water infrastructure improvement downtown. Federal support consists largely of Federal Aviation Authority grants for FYI, Federal Transportation Agency grants for FAX and the City's Public Work Grant allocation. Stimulus funding for capital is budgeted at \$8.2 million. The State component is made up of Proposition 1B, state grants, and SB 325 funding. Enterprise revenues will be used primarily to fund Water well and Sewer line construction and rehabilitation. CDBG will be used for the development of Downtown Specific and Community Plans and the Section 108 Loan Repayment. Gas Taxes will be used for street and road improvements and other infrastructure needs.

Uses of Capital Funding: The water meter retrofit project, downtown water infrastructure, Friant Kern Pipeline and Southeast water projects are funded in Public Utilities, as are the continuing Wastewater plant expansion preparations. Mayor/City Manager capital consists of the Section 108 Loan repayment and CDBG funding for the Fair Housing Council. Intelligent Traffic System (ITS) projects on both Shaw and Clovis Avenues are in Public Works. FAX will fund Clean Air Initiatives with CMAQ grants and continue work on the FareBox/Smart Card system.

Capital Appropriations



| | CAPITAL PROJECTS | FY 2012 PROPOSED | CAPITAL PROJECTS | CAPITAL PROJECTS | CAPITAL PROJECTS | CAPITAL PROJECTS | 5 YEAR PROJECT | |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-----------|
| Department | FY 2011 EST | New | Ongoing | 2013 | 2014 | 2015 | 2016 | TOTAL |
| City Council Department | 459 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of the Mayor & City Manager | 3,034 | 0 | 5,102 | 0 | 0 | 0 | 0 | 5,102 |
| Police Department | 3,501 | 0 | 780 | 0 | 0 | 0 | 0 | 780 |
| Fire Department | 938 | 0 | 324 | 0 | 0 | 0 | 0 | 324 |
| Parks, After School, Rec & Comm Svcs | 2,334 | 0 | 10,421 | 0 | 0 | 0 | 0 | 10,421 |
| Public Works Department | 44,211 | 2,360 | 50,955 | 49,977 | 15,638 | 15,074 | 113,863 | 247,867 |
| Development & Resource Mgmt | 2,600 | 1,200 | 950 | 0 | 0 | 0 | 0 | 2,150 |
| Department of Public Utilities | 101,481 | 31,379 | 149,121 | 137,748 | 228,971 | 101,836 | 69,511 | 718,566 |
| Airports Department | 3,557 | 33,778 | 12,025 | 7,027 | 16,814 | 9,608 | 14,863 | 94,115 |
| Convention Center Department | 15 | 100 | 1,540 | 0 | 0 | 0 | 0 | 1,640 |
| FAX Department | 12,068 | 7,301 | 42,636 | 15,203 | 15,208 | 3,512 | 1,765 | 85,625 |
| General Services Department | 309 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Department Capital Appropriations | 174,507 | 76,118 | 269,854 | 209,955 | 276,631 | 130,030 | 200,002 | 1,166,590 |

Measure C Extension Revenue & History

Through an extension approved by the voters in 2006, the Measure C sales and use tax has been extended for another 20 years. The new Measure C Extension funds are distributed by the Fresno County Transportation Authority (FCTA)



according to the Measure C Extension Expenditure Plan. The Expenditure Plan identifies how the funds will be allocated and includes general implementation guidelines for each of the

six funding programs, including local agency pass through programs, subprograms and category funds.

The Measure C Extension Plan is a multi-modal funding program, which distributes the funds to the City of Fresno through three main programs; the Regional Public Transit Program; the Local Transportation Program; and, the Regional Transportation Program. In past years, the City has used the funds to complete an extensive list of transportation infrastructure projects throughout the City of Fresno. The City will continue these improvements under the Measure C Extension. However, added emphasis will now be given toward all modes of transportation with the overall goal of improving the City's local transportation system and air quality.

demonstrated ability to get people out of their cars and improve air quality. The transit agencies would use the funds to address major new expansions of the express, local and feeder bus service to include additional:

- Routes
- Buses (including low emission)
- Night and Weekend Service
- Bus Shelters
- Safer access to Public Transit Services.

LOCAL TRANSPORTATION PROGRAM

The goal is to improve the City's local transportation program by addressing the troubling problem of aging streets and road infrastructure. Funding is provided to fill potholes, repave streets, improve sidewalks, and upgrade the local transportation infrastructure. The funding is distributed as follows:

- Street Maintenance / Rehabilitation
- Flexible Program
- ADA Compliance
- Pedestrian / Trails / Bicycle Facilities

REGIONAL TRANSPORTATION PROGRAM

The Regional Transportation Program provides for the movement of goods, services, and people throughout the County. The Fresno Yosemite International Airports is an important component of both the urban and rural area transportation systems and is critical to the continued economic development in Fresno County. Funding for the program is designed for runway and infrastructure rehabilitation, runway land acquisition and construction, and associated infrastructure construction projects.

| | <i>FAX</i> | <i>Public Works</i> | <i>Airports</i> | <i>Total Revenue</i> |
|----------------------|------------|---------------------|-----------------|----------------------|
| 2007 Actual | 0 | 0 | 0 | 0 |
| 2008 Actual | 6,694,146 | 7,242,290 | 485,758 | 14,422,194 |
| 2009 Actual | 7,638,087 | 8,374,344 | 557,528 | 16,569,959 |
| 2010 Actual | 6,559,629 | 7,139,359 | 478,805 | 14,177,793 |
| 2011 Adopted | 6,622,200 | 6,742,700 | 566,200 | 13,931,100 |
| 2012 Proposed | 7,258,100 | 8,100,000 | 521,800 | 15,879,900 |

As of April 2011, Measure C revenue has grown an average of seven percent for the year and is currently on track to meet the year end estimates in all programs. Based on projected FY 2011 estimated year end revenue and FY 2012 estimates from the Fresno County Transportation Authority (FCTA), Measure C receivables are expected to increase by another four percent in FY 2012.

All revenue reflected in the attached table is direct Measure C proceeds exclusive of carryover, interest and transfers
PUBLIC TRANSIT PROGRAM

The goal is to expand mass transit programs that have a

Glossary of Terms

Adopted Budget - The City Budget passed by Council for the period July 1 through June 30.

Amended – The City Budget for fiscal year ending June 30th is adopted by resolution by the City Council. Adjustments in the amounts appropriated at the department / fund level are made throughout the fiscal year upon a motion to amend the resolution and affirmative votes of at least five Council members. Budgeted amounts are reported as amended on June 30.

Appropriation – A legal authorization granted by Council to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount. All City of Fresno appropriations lapse expire at the end of each fiscal year.

Beginning Balance – The amount of money the City anticipated having on July 1, 2011, to begin fiscal year 2011-2012.

Budget – A plan of financial operation containing an estimate of proposed expenditures for a given period (usually a fiscal year) and the proposed means of financing them. Since the typical budgeting process includes many budgets, it is often necessary to identify the specific budget being discussed with an adjective: Mayor's Proposed Budget, Adopted Budget, and Amended Budget.

Capital Improvement Plan – A plan or budget for capital outlays to be incurred each year over a fixed period of years to meet capital needs. It lists each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance each projected expenditure.

Charges for Current Services – Monies the City receives as payment for services provided such as water, sewer, solid waste, and building permits.

Contingency – An appropriation of funds to cover unforeseen events that occur during the fiscal year. Uses of such appropriations require approval by the Mayor and City Council.

Department – A major administrative unit of the City of Fresno reflecting overall management responsibility for an operation or a group of related operations within a functional area. Identifies the highest level in the formal organization in which specific activity is carried out.

Employee Services – The personnel costs of a City program, including wage/salary, direct and indirect benefits such as health insurance, workers' compensation, unemployment insurance, etc.

Enterprise Funds – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Examples in Fresno are the Utilities and Planning & Development Departments.

Estimated – The most recent prediction of current year revenue and expenditures, Estimates are based upon several months of actual expenditure and revenue information and are prepared to consider the impact of unanticipated costs or other economic changes.

Expenditures – The payment for the cost of goods delivered or services rendered during the fiscal year, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired, and capital outlays. See also "Encumbrances".

Fiscal Year (FY) – A twelve-month period to which the annual operating budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. In City of Fresno has specified July 1 through June 30 as the fiscal year.

Fund – A set of accounts to record revenues and expenditures associated with a specific purpose.

Fund Balance – The equity (assets minus liabilities) of governmental fund types and trust funds; the excess of cumulative revenues and other sources of funds over cumulative expenditures and other uses of funds. See also Carryover.

Interdepartmental (ID) Charges – Charges for services one City department provides another City department (see Intragovernmental Revenues). These procedures result in a double counting of the same dollar which is budgeted in two places. By subtracting transfer and charge amounts, a dollar is then only counted once.

Internal Service Funds (ISF) – A fund established to finance and account for services and commodities furnished by one department to another on a cost reimbursement basis. Examples include the Fleet, Central Printing and Information Services.

Sales Tax – A tax levied by a state or city on the retail price of an item, collected by the retailer. The table below breaks out the elements of the local sales tax rate.

| Rate | Jurisdiction |
|-------|------------------------------------------------------------------------------------------|
| 4.75% | State (General Fund) |
| 0.25% | State (Fiscal Recovery Fund) |
| 0.50% | State (Local Revenue Fund) |
| 0.25% | State General Fund |
| 0.50% | State (Local Public Safety Fund) |
| 1.00% | State (General Fund) |
| 1.00% | Local(County/City) 0.25% County Transportation Funds 0.75% City and County operations |
| 8.25% | Total Statewide Base Sales and Use Tax |

Acknowledgements

The City of Fresno is once again the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. The GFOA is the leading association for government finance professionals in North America. We first received this award for the fiscal year 2003-2004 budget documents, and we have received it every year since. We believe this FY 2011-2012 budget will also meet those high standards.

The Budget staff has once again excelled in their dedication to the preparation of the Budget documents. My greatest respect and special thanks must go to the City's budget staff: Jane Sumpter, Henry Fierro, Sharon McDowell, Pedro Rivera, Vicente Cantu, Scott Motsenbocker, Elida (Eli) Rubio, Crystal Smith, Ashley Aouate, and Bob Koury.

Unless you have been involved in the actual planning and preparation of the budget it is impossible to appreciate the countless hours, on both evenings and weekends, which these employees and their families have sacrificed over the last few months. We have learned together that energy and persistence conquer all obstacles. Our office strives to accomplish the sentiments of Aristotle when he said, "We are what we repeatedly do. Excellence therefore is not an act but a habit". I am profoundly blessed to be part of this very professional and selfless team.

I would also like to acknowledge Michael Lima and Cheryl Carlson, who volunteered many hours with us checking documents to ensure quality. The successful printing of this document would not have been accom-

plished without the dedication of John DeLucia in the print shop.

A heartfelt thank you goes out to all, the employees and Directors, from every department that responded so quickly to my requests for information on short notice and without complaint. I also want to thank department leaders and their staffs for carefully preparing budget reductions for consideration that were thoughtful and rightfully put public service before personal gain. I am appreciative to all city employees for their continued dedication to delivering high-quality services to the community. All your efforts are especially valued during this challenging time of loss and change throughout our organization.

Finally, I thank Mayor Ashley Swearingin, City Manager Mark Scott, Assistant City Manager Bruce Rudd and the Council members for their continued leadership and guidance in the planning, deliberations, and implementation of this budget.

Respectfully submitted,

R. Renena Smith

R. Renena Smith, Budget Director

Budget Award



The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Fresno, California for its annual budget for the fiscal year beginning July 1, 2010 – June 30, 2011.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

